Former Saville Theatre, 135-149 Shaftesbury Avenue, London, WC2H 8AH

Independent Viability Review

London Borough of Camden

6th March 2025

Planning Reference: 2024/1005/L (2024/0993/P)

BPS Chartered Surveyors

215a High Street, Dorking RH4 1RU
www.bps-surveyors.co.uk

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1.0 Introduction

1.1 BPS Chartered Surveyors have been instructed by the London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment ('FVA') prepared by Montagu Evans ('ME') on behalf of YC Saville Theatre Limited ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The site currently comprises the former Saville Theatre, a Grade II listed building, totalling 38,546 sqft GIA. In 1970 the building was converted to a cinema, with the most recent operator being Odeon. We understand from the FVA that Odeon vacated the site in September 2024 and the building is currently vacant.

1.3 The site is located in the heart of Central London (Zone 1). The location is predominantly mixed in nature, with a wide range of ground floor retail units and upper floor flats and offices. The location is part of the West End's main theatre area. The site benefits from good transport connections, being located within PTAL 6, and it is located within a 6 minute walk of Tottenham Court Road station, which is serviced by the Elizabeth Line and Central line. The site is not located in a conservation area but adjoins the Seven Dials (Covent Garden) and the Denmark Street Conservation Areas. We also understand this site is within a Tier II Archaeological Priority Area.

1.4 The subject site has been allocated for theatre/cinema & cultural use in the Camden draft Local Plan (S19).

1.5 The site comprises 0.08ha and is outlined in red on the plan below, reproduced from the planning website:

1.6 The proposals are for:

'Part demolition, restoration and refurbishment of the existing Grade II listed building, roof extension, and excavation of basement space, to provide a theatre at lower levels, with ancillary restaurant / bar space (Sui Generis) at ground floor level; and hotel (Class C1) at upper levels; provision of ancillary cycle parking, servicing and rooftop plant, and other associated works.'

1.7 BPS previously reported on this site in May 2019 under a previous application (ref 2017/7051/P). This application was subsequently subject to a Planning Appeal (ref APP/X5210/W/19/3243781 & APP/X5210/Y/19/3243782). The appeal scheme was refused consent and can be summarised as follows:

"The comprehensive refurbishment of the existing Grade II listed building and the provision of a new two storey roof extension and new basement level, providing a new four-screen cinema (Class D2) and spa (sui generis) at basement levels, a restaurant/bar (Class A3/A4) at ground floor level, a 94-bed hotel (Class C1) at part ground and first to sixth floors and associated terrace and bar (Class A4) at roof level, together with associated public realm and highways improvements".

1.8 The basis of our review is the Financial Viability Assessment prepared by Montagu Evans, dated 31st January 2025. ME have modelled three redevelopment scenarios, accompanied by further sensitivity testing around building height and developer profit targets. Of these scenarios, we understand the proposed scheme to comprise a 5-storey extension (211 bed hotel). They conclude that the proposed scheme generates a deficit and, therefore, no affordable housing can be viably offered.

1.9 ME have tested the viability of alternative schemes ranging in storey heights between 11 and 19 storeys. This demonstrates that on ME's numbers, the scheme would need to be 19 storeys in order for the developer profit target to be met and the scheme to be viable. We understand, however, the Applicant does not want to pursue these alternative scenarios.

1.10 We have downloaded documents available on the Council's planning website.

1.11 We have received a live version of the Argus appraisals included in the report.

1.12 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any affordable housing contributions.

1.13 We have searched the Council's planning website and have not identified any more recent or outstanding planning applications relating to the subject site.

1.14 A Land Registry search shows that the Applicant purchased the property in 2021 for £29.5m.

1.15 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2025, the provisions of VPS1–6 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.

1.16 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

2.0 Summary Table

2.1 Our analysis presents the following outturn financial position for the project:

Input	ME	BPS	Comments
Income			
Hotel (Scenario 1)	£147,700,000 (£700,000 per key)	£112,173,545 (£532,000 per key)	Disagreed
Hotel (Scenario 3a)	£211,050,000 (£700,000 per key)	£161,465,600 (£535,000 per key)	Disagreed
Hotel (Scenario 3b)	£331,100,000 (£700,000 per key)	£221,576,436 (£468,000 per key)	Disagreed
Hotel (Scenario 3c)	£158,200,000 (£700,000 per key)	£120,761,582 (£534,000 per key)	Disagreed
Theatre & Restaurant (Scenario 1)	£40,000,000 (£10,839psm/£1,007psf)	£40,000,000 (£10,839psm/£1,007psf)	Agreed
Theatre (Scenario 2 & 3 abc)	£27,000,000 (£7,535psm/ £700psf)	£33,000,000 (£9,213psm/ £856psf)	Disagreed
Expenditure			
Existing Use Value	£2,600,000	£2,600,000	Ambiguous – Further evidence required.
Landowner's Premium	20%	0%	Disagreed
Benchmark Land Value	£2,900,000	£2,600,000	Ambiguous – Further evidence required. LP excluded.
Build Costs (inc. contingency) **Scenario 1**	£111,743,000	£111,743,000	Agreed
Build Costs (inc. contingency) **Scenario 2**	£38,274,000	£38,274,000	Agreed
Build Costs (inc. contingency) **Scenario 3a**	£139,444,000	£132,988,934	Disagreed
Build Costs (inc. contingency) **Scenario 3b**	£196,729,000	£190,273,934	Disagreed
Contingency	5%	5%	Agreed
Professional Fees	12.5%	12.5%	Agreed
Sales Agent Fee	1%	1%	Agreed
Sales Legal Fee	0.5%	0.5%	Agreed
CIL	£4,000,000	£4,000,000	Ambiguous - We require confirmation from the Council on this input.
Finance	7.5%	7.5%	Agreed
Profit Target (on Cost)	17.5%	15%	Disagreed
Development Timeframes			
Pre-construction Period	3- months	3-months	Agreed
Construction Period (Scenario 1)	57- months	57- months	Ambiguous – Unable to conclude. A detailed development programme should be provided
Construction Period (Scenario 2)	45- months	45- months	Ambiguous – Unable to conclude. A detailed development programme should be provided
Sales Period	1-month	1-month	Agreed

Actual Profit (Scenario 1) Proposed Scheme	+£13.30m 8.5% on Cost	-£17.1m -10.8% on Cost	Disagreed - we find the scheme to be in deficit
Actual Profit (Scenario 2)	-£33.69m -57.25% on Cost	-£27.7m -47.4% on Cost	Disagreed - we find the scheme to be in deficit
Actual Profit (Scenario 3a)	+£17.14m 8.36% on Cost	-£11.8m -6.16% on Cost	Disagreed - we find the scheme to be in deficit
Actual Profit (Scenario 3b)	+£48.53m 17.01% on Cost	-£33.8m -12.4% on Cost	Disagreed - we find the scheme to be in deficit

2.2 ME state that a 17.5% profit on Cost is in their opinion, a reasonable profit target for the proposed scheme, yet based on their proposed scheme assessment, this assumes that the Applicant is willing to accept a lower return of 8.5% on Cost. They note in their appraisal that whilst 8.5% is below the target, the scheme is considered "just viable".

2.3 Given that ME do not explicitly state their viability positions, we have tested the appraisals using their figures to determine what their viability position would likely be. We have modelled our respective viability positions based on these different levels of profit return in the table below:

Viability Position (Deficit/ Surplus)					
	Profit Target (on Cost)	**Scenario 1- Proposed Scheme**	**Scenario 2- Theatre only**	**Scenario 3a- 14 storeys**	**Scenario 3b- 19 storeys**
BPS	15% (Our Target)	-£40.9m	-£36.4m	-£40.8m	-£74.5m
	8.5% (Profit Acceptable by the Applicant)	-£30.6m	-£32.7m	-£28.2m	-£56.8m
ME	17.5% (ME's Target)	-£15m	-£44m	-£18.8m	-£1.4m
	8.5% (Profit Acceptable by the Applicant)	-£0.5m	-£38.7m	-£0.3m	+£24.3m

3.0 FVA Checklist

3.1 On the 13th of February 2025 we sent ME a request to provide the following information to assist with our review of the FVA. The table below summarises the documentation received at the date of this submission.

Existing Site	
Land ownership plan	Downloaded
Measurements of the Existing Site / Buildings	Received
Floor plans	Received
Detailed Description of the existing site	Downloaded
A schedule of condition	Not provided
External Photographs of the Existing Site / Buildings	Not provided
Internal Photographs of the Existing Site / Buildings	Not provided
Copies of the existing or recent leases	Received
Recent transactional evidence to support their BLV assumptions	Not provided
Modelling used to generate values (Residential/ Commercial)	Downloaded
Proposed Development	
Application plans	Downloaded
Accommodation schedule	Downloaded
Measurements for the proposed scheme (GIA/ NIA)	Partially provided (only GIA available)
Design and Access statement	Downloaded
Planning Statement	Downloaded
Cirque De Soleil fit out works concept	Received
Detailed design specification	Not provided
Recent transactional evidence to support their GDV assumptions	Not provided
Copy of the Lease	Received
Modelling used to generate values	Received
Construction	
A detailed cost plan	Received
Development programme	Not provided
Appraisals	
Copy of the live Argus appraisals	Received

4.0 Conclusions And Recommendations

The Applicant's Conclusions

4.1 We have reviewed the FVA prepared by ME on behalf of the Applicant. ME conclude that the proposed scheme generates a deficit, therefore, no housing or affordable housing can be provided. They note in their FVA that this generates a net profit return of 8.5% on cost, which is below the 17.5% target but makes the scheme "just viable". We understand that the Applicant is willing to proceed on the basis of an 8.5% net profit return.

4.2 ME report that in order for the scheme to be viable and generate a return on cost of 17.50%, the scheme requires the building to be extended to 19 storeys (473 keys). Whilst the schemes with greater extensions are more viable in ME's view, they consider them to pose harm to the existing listed building and we understand the Applicant does not want to pursue them for this reason.

4.3 It will be seen that we conclude there is limited evidence underpinning the turnover expectations arising from the hotel, but also in relation to the performance area, restaurant and bar. Calculating scheme value on indicated base rents alone, suggests that the scheme deficit could be even greater than the deficit so far indicated by ME. We estimated this figure to be **-£40.9m.**

4.4 Ordinarily, deficits are considered to be a developer risk. In the current circumstances substantial deficits bring with them risks about delivery or essential repairs to the listed building and viability of delivering a new basement theatre which will comprise a very significant element of the scheme's costs. It is therefore not unreasonable that a better understanding of the anticipated trading levels of all elements of the development should be provided by the developer to support their own appraisal but also to provide assurance that the scheme is genuinely deliverable.

Benchmark Land Value

4.5 ME have approached the Benchmark Land Value on an Existing Use Value (EUV) basis. They suggest that the existing building would be let to a cinema operator at the rent that was paid by the most recent occupier. ME have adopted a Benchmark Land Value of £2.9m.

4.6 Having reviewed the information provided as well as the details submitted in relation to the 2020 appeal, we consider the overall assessment of EUV submitted by ME to be poorly evidenced. Although we consider the rental value adopted by ME to be conservative, there is no evidence that a cinema operator would take the space on a new lease without any repair works being carried out . We note that the previous passing rent was the product of a lease surrender agreement with Odeon which involved an early termination of their lease and waiver of repairing obligations and payment of a capital premium.

4.7 We have provisionally accepted ME’s assessment of the EUV on a without prejudice basis, however, we do not consider inclusion of the Landowner’s Premium to be appropriate at this stage for three reasons. Firstly, no evidence of continuing cinema operator interest has been provided. No account has been taken of the considerable works necessary to repair the listed structure, which would require any cinema re-use to be considered an AUV in respect of landowner premium under the NPPG. Furthermore, there are significant outgoings associated with vacant buildings which have not been taken into account in the EUV assessment.

4.8 Overall, we have adopted a provisional Benchmark Land Value of £2,600,000 in our assessment.

<u>Development Value</u>

4.9 The proposed scheme, as sought by the planning application, comprises a new 294 seat theatre space, which is intended to be occupied by Cirque du Soleil, a ground floor restaurant and a new 211-bed hotel for CitizenM.

4.10 We have seen a signed agreement for lease dated 29 March 2023 between the developer and Cirque du Soleil’s operating company and various appendices which are said to form attachments to this agreement including a draft lease. We have also been provided with various heads of terms

4.11 Our Hotel Consultant, Melvin Gold, reviewed ME’s assessment of the project net revenues for the hotel element of the scheme and considers them to be overstated. Mr Gold outlined his own assessment of the Net Operating Profit for each of the modelled scenarios and provided his opinion of the yield, which results in a lower hotel GDV than adopted by ME. We have incorporated Mr Gold’s figures in our assessment. It should be noted that Mr Gold highlights the very unique nature of the intended operator CitizenM and considers the absence of input from the operator to the assessment to reflect a significant omission and leaves considerable ambiguity within the proposed figures.

4.12 Mr Gold feels unable to comment however in respect of the anticipated revenues which may be generated from the theatre, theatre restaurant and associated bar. The success of these elements are all very much linked to the prospects of Cirque du Soleil operating the theatre and again we consider proper detailed justification for the anticipated turnover revenue payments from these elements should be provided.

4.13 Mr Gold's report is included in Appendix 3 of this report.

4.14 We have reviewed the information provided by ME in support of their theatre and restaurant values and we have also undertaken our own research into recent transactions in the local area. We have also reviewed draft lease agreements provided in relation to the proposed tenancy of Cirque du Soleil. Although we are of the view that the GDV adopted by ME for Scenario 1 aligns with the evidence provided, we do not consider ME's assessment of Scenarios 2 & 3 (abc) have been appropriately evidenced. We have highlighted the inconsistencies in Section 7 of this report. Overall, our suggested revisions result in an increase of approximately £6m on the theatre value proposed by ME, which reflects an increase of 22%.

Development Costs

4.15 Our Cost Consultant, Neil Powling, has reviewed the Cost Plan for the proposed scheme prepared by Gardiner & Theobald, dated 30th January 2025, and concludes that:

"The allowance in Scenario 1 for contingencies is 5% which we consider reasonable. The total allowance for risk in Scenario 3 is 12%. Our view is that risk should be treated equally in both scenarios. "

"Our benchmarking of the proposed scheme results in an adjusted benchmark for the theatre of £12,622/m² that compares to the Applicant's £12,601/m² and for the hotel an adjusted benchmark of £8,686/m² that compares to the Applicant's £8,394/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable."

"Our benchmarking of Scenario 3 results in an adjusted benchmark for the theatre of £11,079/m² that compares to the Applicant's £10,874/m² and for the hotel an adjusted benchmark of £10,106/m² that compares to the Applicant's £11,006/m². We therefore consider the Applicant's costs for the Scenario 3 theatre to be reasonable, but the hotel costs too high by £6,455,066 (£900/m²). If the allowances for preliminaries, OHP and risk are adjusted to the same levels as the proposed scheme the adjusted benchmark and applicant's costs would be in line"

4.16 We have reviewed the other costs outlined within the FVA and consider them to be broadly reasonable

<u>Recommendations</u>

4.17 [redacted]

[redacted]

4.18 This is no doubt a prudent measure for an untested entertainment offer but also provides a context against which to weigh the impact of the theatre provision.

4.19 We have been provided with a live version of the Argus appraisal included in ME's report to which we have applied our amendments. These amendments are outlined in the table included at Section 2 and our revised appraisal is at Appendix 4.

4.20 After these changes, we identify a deficit of **-£40.9m** for the proposed application scheme. On this basis, we agree with ME that the scheme would not be able to contribute towards or provide affordable housing.

4.21 It can be seen from the table included in Section 2 that the major points of disagreement between our respective positions are related to the assessment of the theatre GDV, (where the existing building is converted wholly to the theatre), as well as the assessment of the hotel value, which reflects an assessment from our independent expert.

4.22 We are of the opinion that even with the increased number of storeys and the lower profit target, the scheme would not only remain in deficit, but would be a loss-making development. We therefore question how the Applicant intends to deliver what is a loss-making scheme.

4.23 We have conducted a sensitivity analysis to analyse the impact of the change in sales values and build cost on the scheme's viability. We have included our analysis in the table below. We have found that with a 20% reduction in the construction costs and 20% increase in the revenue, the proposed application scheme would be viable:

Construction: Gross Cost					
Sales Revenue	-20.000%	-10.000%	0.000%	10.000%	20.000%
-20.000%	-£39,474,291	-£54,346,568	-£69,218,845	-£84,091,122	-£98,963,400
-10.000%	-£25,351,717	-£40,223,994	-£55,096,271	-£69,968,548	-£84,840,825
0.000%	-£11,229,142	-£26,101,419	-£40,973,696	-£55,845,974	-£70,718,251
10.000%	£2,893,432	-£11,978,845	-£26,851,122	-£41,723,399	-£56,595,676
20.000%	£17,016,007	£2,143,730	-£12,728,548	-£27,600,825	-£42,473,102

5.0 Principles Of Viability Assessment

5.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit)
= Residual Value

5.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

5.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.

5.4 Development appraisals can also be constructed to include a fixed land value and fixed profit targets. If an appropriate benchmark is included as a fixed land value within a development appraisal this allows for interest to be more accurately calculated on the Benchmark Land Value, rather than on the output residual value. By including fixed profit targets as a cost within the appraisal, programmed to the end of development so as not to attract interest payments, the output represents a ‘super’ profit. This is the profit above target levels generated by the scheme which represents the surplus available towards planning obligations.

5.5 This Viability Review report adheres to the RICS Professional Statement on Financial Viability in Planning: Conduct and Reporting (published May 2019). In accordance with this Statement, Section 8 below incorporates details of our Quality Standards Control & Statement on Limitation of Liability/ Publication. This report has been prepared according to the Professional Statement’s requirement for objectivity and impartiality, without interference and with reference to all appropriate available sources of information. Where information has not been obtainable, we have stated this expressly in the body of the report.

6.0 Benchmark Land Value

Viability Benchmarking

6.1 Planning Policy Guidance, published May 2019, states:

Benchmark land value should:

- *be based on existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. These may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

The evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

[…] Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

6.2 The NPPF recognises the need to provide both landowners and developers with a competitive return. In relation to landowners this is to encourage landowners to release land for development. This is set out in PPG as follows:

To define land value for any viability assessment, a benchmark land value should be established on the basis of existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The Premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

6.3 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the NPPG's definition of Benchmark Land Value.

6.4 NPPG further defines EUV as follows:

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

6.5 The Mayor of London's Affordable Housing and Viability SPG published August 2017 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

The Mayor considers that the 'Existing Use Value plus' (EUV) approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used.

6.6 Guidance indicates that the sale of any premium should reflect the circumstances of the landowner. We are of the view that where sites represent an ongoing liability to a landowner and the only means of either ending this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable. This view is corroborated in the Mayor of London's Affordable Housing and Viability SPG which states:

Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/ costs, a lower premium of no premium would be expected compared with a site occupied by profit-making businesses that require relocation. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary.

6.7 While EUV is the primary approach to defining BLV, in some circumstances an Alternative Use Value approach can be adopted. This is the value of the land for a use other than its existing use. NPPG outlines:

If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.

[…] Plan makers can ser out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued.

6.8 The RICS Guidance Note ‘Assessing viability in planning under the National Planning Policy Framework 2019 for England’, published March 2021, supports the definition of AUV from NPPG and reiterates that any AUV must reflect relevant policy requirements.

6.9 When adopting an AUV approach, the premium to the landowner is implicit and therefore an additional landowner premium should not be added as this would be double counting.

6.10 NPPG and RICS guidance are clear that if refurbishment or redevelopment is necessary to realise an existing use value then this falls under the AUV provision of NPPG and no landowner premium should be added.

<u>The Benchmark Land Value</u>

6.11 The benchmark proposed by ME for viability testing is based on an Existing Use Value Plus (EUV+) approach.

6.12 The site currently comprises a Grade II listed building, built as the former Saville Theatre, totalling 38,546 sq ft GIA. Historically the site was in use as a theatre but in 1970 the building was converted to the cinema, with the most recent operator being Odeon. We understand from the FVA that Odeon vacated the site in September 2024 and the building is currently vacant.

6.13 From our previous involvement with this property, we were aware that Odeon had agreed to surrender its lease in return for a premium payment and not being required to undertake repairs to the property as would have been required under its full repairing and insuring lease.

6.14 We did not conclude a Benchmark Land Value in our past assessment of the previous application scheme.

6.15 The subject site has been allocated for a theatre/cinema & cultural use in the Camden draft Local Plan (S19).

6.16 We understand its current rateable value to be £58,000.

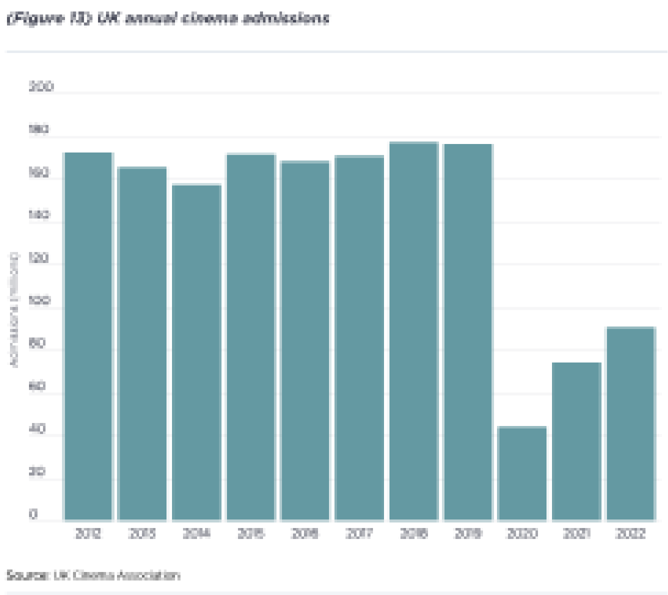
6.17 We last visited the site in 2019, when it was still occupied by Odeon, however we have not inspected more recently. We have not been provided with any recent photographs of the interior of the building, nor with a schedule of condition that would allow us to ascertain its current condition and state of repair. We understand from the appeal decision dated 2020 (X5210/W/19/3243781), that the building was in a poor condition requiring investment and repairs. It has not been clarified whether any of these have taken place since the appeal decision in 2020.

6.18 ME have adopted a rental value of £130,000pa (£3.40 psf), which is said to reflect the most recent rent paid by Odeon. As stated above the rent was a product of a deed for surrender leading to vacant possession. ME have then capitalised the rental income using a 5% yield, arriving at an EUV £6,434,457, having allowed for purchaser's costs at 6.8%. We have not received any market evidence to support this assessment nor to indicate whether there is operator demand for the property or what rent might be achieved.

6.19 We have not been provided with the former Odeon lease or any evidence that would support the rental assumption adopted. We have, however, conducted a search into the comparable cinema transactions (Appendix 4) and have found ME's rental value to be significantly below the evidence tone. However, noting that Odeon have a large cinema in Leicester Square, this location may be less viable, especially since the marked downturn in the cinema market post covid. There are also fewer operators in the market so it is not clear if there would be operator interest. Also, the condition of the property may well be a deterrent.

6.20 ME have adopted a substantial 20% Landowner's Premium in their assessment, arriving at the Benchmark Land Value of £2,900,000

6.21 It is our understanding, that since the last application, the level of UK cinema admissions have significantly dropped, which is illustrated on the chart below, reproduced from Savills' website:



6.22 Overall, although we consider ME's assessment of the BLV to be largely unevidenced, especially without substantial repairs being undertaken, we have provisionally accepted ME's assessment of EUV.

6.23 However, we consider the inclusion of a Landowner's Premium to be inappropriate at this stage, noting that any letting of the property would entail substantial repairs to be first undertaken and this would render any assessment of cinema use to be classed as an AUV under NPPG in regard to the treatment of a Landowner premium. We should also stress that no works allowances nor empty property costs have been included in ME's valuation.

6.24 We consider further evidence should be provided by ME to demonstrate the demand from the potential cinema occupiers to support their assessment.

7.0 Development Values

7.1 The proposed scheme, as sought by the planning application, comprises a new 294 seat theatre space, which is meant to be occupied by Cirque du Soleil, a ground floor restaurant and an associated bar as well as a new 211-bed hotel for CitizenM. In effect the building would have four separate areas of occupation. The proposed areas are summarised below:

Proposed Scheme (Scenario 1)		
Use	GIA (sqm)	GIA (sqft)
Hotel	6,097	65,627
Theatre & Ancillary Restaurant/ Bar	3,688	39,697
Ancillary/ Plant	1,291	13,896
Total	11,076	119,221

7.2 The proposed scheme envisages refurbishment of the listed building, alongside excavation of additional basement levels and erection of a 5-storey roof extension.

7.3 ME have tested alternative versions of the scheme, one scenario assumes that the existing building would be converted solely theatre use (no extension), and others assume upward extensions for varying level offering different sized hotel offerings.

7.4 We have outlined ME's adopted GDV's for each of the scenarios in the table below:

	Use	ME's GDV	Total GDV
Scenario 1 211-bed hotel 5-storey extension	Hotel	£147,700,000	£187,700,000
	Theatre	£30,000,000	
	Restaurant	£10,000,000	
Scenario 2 No extension	Theatre	£27,000,000	£27,000,000
Scenario 3a 302 bed hotel 14-storey extension	Theatre	£27,000,000	£238,050,000
	Hotel	£211,050,000	
Scenario 3b 473 bed hotel 19-storey extension	Theatre	£27,000,000	£358,100,000
	Hotel	£331,100,000	
Scenario 3c 226 bed hotel 11-storey extension	Theatre	£27,000,000	£185,200,000
	Hotel	£158,200,000	

<u>Hotel</u>

7.5 ME have adopted a GDV of £147m to the hotel component of the scheme, which translates to c. £700,000 per key. ME's key inputs are outlined in the below table:

ME's Key Assumptions				
Scenario	**1**	**3a**	**3b**	**3c**
Value per key	£700,000	£700,000	£700,000	£700,000
GDV	£147,700,000	£211,050,000	£331,100,000	£158,200,000
Occupancy	85%	85%	85%	85%
ADR	£215	£215	£215	£215
Rev Par	£183	£183	£183	£183
Ac Room Size	13sqm	13sqm	13sqm	13sqm
Exit Yield	5%	5%	5%	5%
Revenue (per Room)	£66,704	£66,704	£66,704	£66,704
Room Revenue	£14,074,491	£20,144,532	£31,550,873	£15,075,047
Other Income (6%)	£844,469	£1,208,671.93	£1,893,052.39	£904,502.83
Total Revenue	**£14,918,960**	**£21,353,204**	**£33,443,926**	**£15,979,550**
Expenses	-£7,459,480	-£10,676,602	-£16,721,962	-£7,989,775
NOI	**£7,459,480**	**£10,676,602**	**£16,721,963**	**£7,989,775**

7.6 We have instructed our hotel specialist, Melvin Gold, to review ME's assessment of the Hotel's GDV. His advice is summarised below:

"Overall, it seems that the £700,000 per room figure is too high. Montagu Evans state that it is bullish. We believe the financial estimates that underpin the figure are overstated and moreover they vary for each of the scenarios presented. A consistent level of value per room does not seem to recognise the underlying change in earnings under each scenario which we have sought to portray. We have also shown that the 5% yield used is likely only applicable to branded budget hotels held on an institutional lease basis by a company with a strong covenant. Both the yields quoted by Montagu Evans for the comparable transactions, and the Savills report that we have cited illustrate higher yields are applicable to other London hotel transactions, probably at least 5.5%."

7.7 Mr Gold's report is included in Appendix 3 of this report.

7.8 Having adopted Mr Gold's average Net Operating Income, we arrived at the following figures:

BPS's Key Assumptions				
Scenario	**1**	**3a**	**3b**	**3c**
NOI	£6,169,545	£8,880,608	£12,186,704	£6,641,887
Yield	5.5%	5.5%	5.5%	5.5%
Capital Value	**£112,173,545**	**£161,465,600**	**£221,576,436**	**£120,761,582**
Per Key	£531,628	£534,654	£468,449	£534,343

7.9 We have adopted the above figures in our assessment.

Theatre & Restaurant GDV

Scenario 1

7.10 ME have adopted an annual rent of £1.5m and have capitalised it at a 5% yield in their assessment of the 294-seat theatre space, arriving at the GDV of £30m. As per the application, the proposed ground floor restaurant space would be ancillary to the theatre use. ME have attributed a rental value of £500,000 pa and have capitalised this income at a 5% yield, arriving at the GDV of £10m, before deducting 6.8% purchaser's costs.

7.11 ME's assessment reflects a blended rental value of £50 psf for the theatre & restaurant premise. It is unclear whether a rent free period has been assumed by ME.

7.12 Their rental assumption for the theatre reflects a value of c. £5,102 on a per seat basis. ME refer to a second opinion that a much lower rent of c. £2,000 per seat would be more appropriate.

7.13 ME have not provided any market evidence in their report to support the adopted assumptions.

7.14 [redacted]

Signature

[redacted]

7.16 We understand from the accommodation schedule that the ground floor of the scheme would comprise GIA of 5,393 sqft. We note this proportion of the venue would be leased to the restaurant operator, Incipio.

7.17 [redacted]

Signature

[redacted]

[redacted]

- [redacted]
- [redacted]

7.18 [redacted]

7.19 [redacted]

7.20 [redacted]

[redacted]

7.21 We have conducted our own search into comparable evidence of restaurant rental transactions and have included our evidence in Appendix 4 of this report. It can be seen that the rental values within 0.5 mile of the subject site range between £53 - £119psf (£170,000 - £330,000pa). It can be seen that the rental assumption adopted by ME for the restaurant falls within the comparable range.

7.22 Having searched local market transactions, we have found limited evidence of theatre rental transactions. We have extended our search and included comparable evidence of other uses within Sui Generis use within the wider area of London. We found that other Sui Generis evidence range between £18psf - £30psf. We appreciate that in this instance the tenant represents a unique draw in a primary established entertainment location.

7.23 We note from the plans that restaurant would form a small part of the total GIA. Although the available evidence is located in inferior areas when compared to the subject, we consider it reasonable to assume rental values of any such venues would be lower in comparison to typical business models, such as food & beverage or retail on a £psf basis.

7.24 Overall, we found the rental values adopted by ME to reasonably align with the lease documents provided. We are unable to fully evidence its appropriateness against the market, given the scarcity of relevant comparable evidence.

7.25 According to Knight Frank Investment Yield Guide Oxford Street retail yields oscillate around 4.5%, albeit in relation to pure retail uses. We consider the 5% yield adopted for the site, which is located in a lower footfall pitch, to be broadly reasonable.

7.26 Overall, we have accepted ME's assessment of rental values and yield in our assessment on a without prejudice basis. We highlight, however, that given that the business model of the proposed site is somewhat unique, we found there to be a limited evidence of turnover that would underpin assumptions adopted by ME. Should the Council wish to conduct further assessment of the proposed business value, we would recommend a specialist be appointed.

Alternative Scenarios

7.27 We have summarised alternative scenarios modelled by ME in the below table:

	ME's Rental Assumption	ME's Capital Value	ME's Yield
Theatre (Scenario 1) (based on c. 34,304 sq ft GIA) 294-seat	£1.5m £5,102 on a per seat (£44psf)	£30,000,000 (£874psf)	5%
Theatre (Scenario 2 & 3 abc) (based on 38,546 sq ft GIA) 900-seat	£1.35m (£1,500 per seat) (£35psf)	£27,000,000 (£700psf)	5%

7.28 Scenario 2 is based on the theatre providing 900 seats and comprising 38,546 sqft GIA. Although the theatre GIA of Scenario 1 & 2 differs by c.12%, ME's rental assumption implies that the value on a per seat basis would drop by as much as 70%, which we do not consider to be proportionate.

7.29 Moreover, the theatre comprising a larger GIA (Scenario 2), would effectively achieve a lower rental value, which we consider to be a questionable assumption and not seen in typical market transactions.

7.30 ME state that their assumption of the GDV for scenarios 2 & 3 is based on a letter from a theatre operator. However, we have not been provided with a copy of this letter. Moreover, we do not consider a letter from a single operator qualifies as definitive evidence to justify clear inconsistencies between the presented scenarios. We consider that robust assessment should be submitted to support ME's figures

7.31 Finally, we note that effective capital value of larger building is lower than the smaller one, which we do not consider to be a logical assumption. In the absence of any supporting evidence, we have adjusted our assessment to present more realistic scenario, which broadly aligns with the assumption adopted for Scenario 1:

	BPS's Rental Assumption	BPS's Capital Value	BPS's Yield
Theatre (Scenario 2 & 3 abc) (based on 38,546 sq ft GIA) 900-seat	£1.65m (£1,500 per seat) (£42.8psf)	£33,000,000 (£856psf)	5%

7.32 We reserve the right to alter our position upon receiving further evidence.

GDV Conclusions

7.33 Overall, our respective GDV conclusions are outlined in the below table:

	Use	ME's GDV	ME's Total GDV	BPS' GDV	BPS' Total GDV
Scenario 1 211-bed hotel 5-storey extension	Hotel	£147,700,000	£187,700,000	£112,173,545	£152,173,545
	Theatre	£30,000,000		£30,000,000	
	Restaurant	£10,000,000		£10,000,000	
Scenario 2 No extension	Theatre	£27,000,000	£27,000,000	£33,000,000	£33,000,000
Scenario 3a 302 bed hotel 14-storey extension	Theatre	£27,000,000	£238,050,000	£33,000,000	£194,465,600
	Hotel	£211,050,000		£161,465,600	
Scenario 3b 473 bed hotel 19-storey extension	Theatre	£27,000,000	£358,100,000	£33,000,000	£254,576,436
	Hotel	£331,100,000		£221,576,436	
Scenario 3c 226 bed hotel 11-storey extension	Theatre	£27,000,000	£185,200,000	£33,000,000	£153,761,582
	Hotel	£158,200,000		£120,761,582	

8.0 Development Costs

Construction Costs

8.1 Our Neil Powling, has reviewed the Cost Plan for the proposed scheme prepared by Gardiner & Theobald, dated 30th January 2025, and concludes that:

"The allowance in Scenario 1 for contingencies is 5% which we consider reasonable. The total allowance for risk in Scenario3 is 12%. Our view is that risk should be treated equally in both scenarios.
Our benchmarking of the proposed scheme results in an adjusted benchmark for the theatre of £12,622/m² that compares to the Applicant's £12,601/m² and for the hotel an adjusted benchmark of £8,686/m² that compares to the Applicant's £8,394/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.
Our benchmarking of Scenario 3 results in an adjusted benchmark for the theatre of £11,079/m² that compares to the Applicant's £10,874/m² and for the hotel an adjusted benchmark of £10,106/m² that compares to the Applicant's £11,006/m². We therefore consider the Applicant's costs for the Scenario 3 theatre to be reasonable, but the hotel costs too high by £6,455,066 (£900/m²). If the allowances for preliminaries, OHP and risk are adjusted to the same levels as the proposed scheme the adjusted benchmark and applicant's costs would be in line."

8.2 Mr Powling's full cost report can be found at Appendix 1.

Additional Costs

8.3 ME have applied the following additional cost assumptions:

- Professional fees of 12.5%
- Purchaser's Cost of 6.8%
- Sales agent fees of 1%
- Sales legal fees of 0.5%

8.4 Generally, we accept that these percentages are realistic and in line with market norms.

8.5 We note, however, that the Purchaser's Costs allowance adopted in ME's report equates to c. effective rate of 32% (Scenario 1) and 60% - 90% (Scenario 3). We consider it is due to its incorrect calculation by Argus software, which uses a gross value as opposed to net value as a basis of the calculation. In our appraisal, we have, therefore, included the hotel value as a fixed value, assuming inclusion of the purchaser's costs of 6.8%.

8.6 CIL & S106 charges have been assumed at £4,000,000. We request the Council verify this amount.

8.7 Finance has been included at 7.5% assuming that the scheme is 100% debt financed. We consider this finance allowance to be broadly reasonable but note that it is at the very upper end of our expectations.

Profit

8.8 The developer profit target adopted by ME is 17.5% on Cost. Generally, we would expect to see a lower profit target for the commercial unit, to reflect the reduced risk, typically around 15 - 17% on GDV for commercial units. We have tested a blended profit target and reduced the profit target to 15% on Cost.

Development Timeframes

8.9 ME have adopted the proposed timeframes in their assessment:

	ME's Scenario 1	ME's Scenario 2
Pre-Construction	3-months	3-months
Construction	57-months	45-months

8.10 Our Cost Consultant has reviewed the programme with reference to the BCIS duration indicator and concludes as follows:

"*The duration allowed in the Applicant's appraisal of Scenario 1 comprises a pre-construction period of 3 months and a construction period of 57 months. The results determined from the BCIS duration calculation treating the whole building as a hotel (there is no BCIS duration data for theatres) provides an estimated average construction duration from start on site to construction completion of 73 weeks (16.8 months) with a 90% confidence interval for this estimate of 59 to 90 weeks (13.6 to 20.8 months). We consider the Applicant's allowance for pre-construction reasonable. We are unable to reach a conclusion on the construction duration partly because BCIS data for theatres is not available. We also note the construction of 6 basement levels which will create a considerable logistical construction problem in this central London location. We suggest the Applicant is requested to prepare a construction programme to provide realistic duration data for inclusion in the viability appraisal.*"

8.11 On this basis, we have adopted the Applicant's programme pending further evidence.

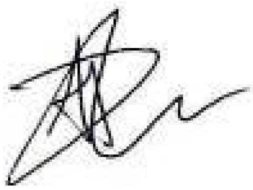
8.12 ME have adopted a post completion sales period of 1 month, which we consider appropriate.

9.0 Author Sign Off

9.1 This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.

9.2 The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.

9.3 The following persons have been involved in the production of this report:



Agnes Mrowiec MRICS
RICS Membership no. 6821180
For and on behalf of
BPS Chartered Surveyors

Andrew Jones MRICS
RICS Registered Valuer
RICS Membership no. 0085834
For and on behalf of
BPS Chartered Surveyors

March 2025

Appendix 1: Build Cost Report

Project: 135-149 Shaftsbury Ave (Former Saville Theatre)
WC2H 8AH
2024/0993/P & 2024/1005/L

Independent Review of Assessment of Economic Viability

1 SUMMARY

1.1 The proposed scenario 1 cost estimate includes an allowance of 17.5% for preliminaries. The allowance for overheads and profit (OHP) is 4.9%. We consider both of these allowances reasonable. The Scenario 3 cost estimate includes an allowance of 19.3% for preliminaries. The allowance for overheads and profit (OHP) is 5%. Our view is that the preliminaries for both scenarios should be the same.

1.2 The allowance in Scenario 1 for contingencies is 5% which we consider reasonable. The total allowance for risk in Scenario3 is 12%. Our view is that risk should be treated equally in both scenarios.

1.3 Our benchmarking of the proposed scheme results in an adjusted benchmark for the theatre of £12,622/m² that compares to the Applicant's £12,601/m² and for the hotel an adjusted benchmark of £8,686/m² that compares to the Applicant's £8,394/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.

1.4 Our benchmarking of Scenario 3 results in an adjusted benchmark for the theatre of £11,079/m² that compares to the Applicant's £10,874/m² and for the hotel an adjusted benchmark of £10,106/m² that compares to the Applicant's £11,006/m². We therefore consider the Applicant's costs for the Scenario 3 theatre to be reasonable, but the hotel costs too high by £6,455,066 (£900/m²). If the allowances for preliminaries, OHP and risk are adjusted to the same levels as the proposed scheme the adjusted benchmark and applicant's costs would be in line.

1.5 The duration allowed in the Applicant's appraisal of Scenario 1 comprises a pre-construction period of 3 months and a construction period of 57 months. The results determined from the BCIS duration calculation treating the whole building as a hotel (there is no BCIS duration data for theatres) provides an estimated average construction duration from start on site to construction completion of 73 weeks (16.8 months) with a 90% confidence interval for this estimate of 59 to 90 weeks (13.6 to 20.8 months). We consider the Applicant's allowance for pre-construction reasonable. We are unable to reach a conclusion on the construction duration partly because BCIS data for theatres is not available. We also note the construction of 6 basement levels which will create a considerable logistical construction problem in this central London location. We suggest the Applicant is requested to prepare a construction programme to provide realistic duration data for inclusion in the viability appraisal.

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element-by-element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5-year and also 30-year average prices. We have previously considered 5-year data more likely to reflect current regulations, specification, technology and market requirements, but because of reduce sample sizes in the last 5 years we consider the default values the most appropriate for benchmarking.

2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis i.e., substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher-than-normal cost of external wall and window elements.

2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

2.5 BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures; the older quarters are firm. If any estimates require adjustment on a time basis, we use the BCIS all-in Tender Price Index (TPI).

2.6

BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However, if the Applicant's cost plan does not distinguish different categories, we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.

2.7

To undertake the benchmarking, we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

2.8

To assist in reviewing the estimate we require drawings and (if available) specifications. Also, any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

2.9

BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.

2.10

We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element-by-element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

2.11 We have considered the duration of the construction period by reference to the average duration calculation resulting from use of the BCIS Duration Calculator, and if we consider appropriate have drawn attention to any significant divergence between the Applicant's duration and the BCIS calculation. The duration is expected to be the result of a programme in appropriate detail for the stage of the project that should be prepared by a specialist in the field. We consider our experience of construction and duration sufficient for benchmarking comparisons using BCIS, but do not possess the appropriate qualifications and experience for undertaking a more detailed examination of the construction duration.

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Financial Viability Assessment issued by Montague Evans January 2025 together with the Proposed Scenario 1 Stage 3 Cost Rev G issued 30 January 2025 by Gardiner & Theobald - base 1Q2025 and the Scenario 3 Cost issued 16 January 2025 by Gardiner & Theobald - base 1Q2025.

We have also downloaded a number of files from the planning web site.

3.2

The information we require to undertake the cost benchmarking process outlined
3.3 in section 2 is a reasonably detailed cost estimate in elemental detail with each
element separately costed, with separate sub-totals in accordance with the
BCIS/NRM rules of measurement, preferably presented as an elemental summary,
and supported by a sufficiently detailed build-up to indicate the proposed
specifications. If fit-out is separated in the estimate it too should be in similar
elemental detail.

The Cost Estimates received are in generally elemental detail requiring further
3.4 analysis from the detail provided of both fit out and services costs for inclusion in
the elemental analyses in the form we require for elemental benchmarking. There
is reasonable supporting detail.

The base date of the cost estimates is 1Q2025. Our benchmarking uses current BCIS
3.5 data which is on a current tender firm price basis. The BCIS all-in Tender Price Index
(TPI) for 1Q2025 is 403 (Forecast).

The design information used to produce the cost plan has been scheduled. There is
3.6 reference to structural (Elliott Wood) and services (Hoare Lee) information listed.

The proposed scenario 1 cost estimate includes an allowance of 17.5% for
preliminaries. The allowance for overheads and profit (OHP) is 4.9%. We consider
3.7 both of these allowances reasonable. The Scenario 3 cost estimate includes an
allowance of 19.3% for preliminaries. The allowance for overheads and profit (OHP)
is 5%. Our view is that the preliminaries for both scenarios should be the same.

The allowance in Scenario 1 for contingencies is 5% which we consider reasonable.
The total allowance for risk in Scenario3 is 12%. Our view is that risk should be
treated equally in both scenarios. All the % figures are based on a calculation of a
3.8 conventional arrangement of the sums in the analysis.

We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking.

3.9 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 129 that has been applied in our benchmarking calculations.

3.10

3.11 We have adopted the same GIAs used in the Applicant's cost estimates; we assume these to be calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.12 The structure of the existing building is retained with the necessary building work to repair and convert to the proposed uses. Scenario 1 the proposed development comprises a ground floor and levels of basement beneath for use as a theatre. The hotel use is accommodated in a shared ground floor with nine levels of mainly vertical extension above. The Scenario 3 cost is based on the existing theatre area with 226 hotel keys. The appraisal for scenario 3a assumes 302 keys and Scenario 3b 473 keys – construction costs for other hotel sizes have been adjusted accordingly.

3.13 Our benchmarking of the proposed scheme results in an adjusted benchmark for the theatre of £12,622/m² that compares to the Applicant's £12,601/m² and for the hotel an adjusted benchmark of £8,686/m² that compares to the Applicant's £8,394/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.

3.14 Our benchmarking of Scenario 3 results in an adjusted benchmark for the theatre of £11,079/m² that compares to the Applicant's £10,874/m² and for the hotel an adjusted benchmark of £10,106/m² that compares to the Applicant's £11,006/m². We therefore consider the Applicant's costs for the Scenario 3 theatre to be reasonable, but the hotel costs too high by £6,455,066 (£900/m²). If the allowances for preliminaries, OHP and risk are adjusted to the same levels as the proposed scheme the adjusted benchmark and applicant's costs would be in line.

3.15 The duration allowed in the Applicant's appraisal of Scenario 1 comprises a pre-construction period of 3 months and a construction period of 57 months. The results determined from the BCIS duration calculation treating the whole building as a hotel (there is no BCIS duration data for theatres) provides an estimated average construction duration from start on site to construction completion of 73 weeks (16.8 months) with a 90% confidence interval for this estimate of 59 to 90 weeks (13.6 to 20.8 months). We consider the Applicant's allowance for pre-construction reasonable. We are unable to reach a conclusion on the construction duration partly because BCIS data for theatres is not available. We also note the construction of 6 basement levels which will create a considerable logistical construction problem in this central London location. We suggest the Applicant is requested to prepare a construction programme to provide realistic duration data for inclusion in the viability appraisal.

3.16 The costs included in the appraisal are not consistent with the costs in the estimate.

BPS Chartered Surveyors
Date: 4th March 2025

135-149 Shaftsbury Ave (Former Saville Theatre) WC2H 8AH

Elemental analysis of Proposed Scenario 1 & BCIS benchmarking

		Total		Demolition		Theatre		Hotel		Theatres		Hotels	
	GIA m²		**11,074**		**11,074**		**4,375**		**6,699**	**LF100**	**LF129**	**LF100**	**LF129**
		£	**£/m²**	**£**	**£/m²**	**£**	**£/m²**	**£**	**£/m²**	**£/m²**	**£/m²**	**£/m²**	**£/m²**
	Demolitions 5.1%	**4,272,000**	**386**	**4,272,000**	**386**								
1	**Substructure**	**21,599,200**	**1,950**			**21,599,200**	**4,937**			**226**	**292**	**234**	**302**
2A	Frame	6,678,000	603			306,800	70	6,371,200	951	295	381	222	286
2B	Upper Floors									151	195	69	89
2C	Roof	1,378,100	124					1,378,100	206	146	188	166	214
2D	Stairs	939,000	85			635,000	145	304,000	45	123	159	50	65
2E	External Walls	11,184,600	1,010			1,284,400	294	9,900,200	1,478	459	592	262	338
	Entrance canopy	750,000	68			500,000	114	250,000	37				
2F	Windows & External Doors	350,000	32			135,000	31	215,000	32	88	114	135	174
2G	Internal Walls & Partitions	2,270,800	205			501,000	115	1,769,800	264	101	130	74	95
2H	Internal Doors	1,665,400	150			592,000	135	1,073,400	160	62	80	83	107
	Superstructure allowances: stage structure, catwalk & grid, balustrade void, forming levels	2,224,000	201			2,224,000	508		0				
2	**Superstructure**	**27,439,900**	**2,478**	**0**	**0**	**6,178,200**	**1,412**	**21,261,700**	**3,174**	**1,425**	**1,838**	**1,061**	**1,369**
3A	Wall Finishes	2,647,200	239			1,559,800	357	1,087,400	162	29	37	80	103
3B	Floor Finishes	1,141,800	103			730,000	167	411,800	61	93	120	76	98
3C	Ceiling Finishes	1,139,000	103			582,000	133	557,000	83	28	36	50	65
3	**Internal Finishes**	**4,928,000**	**445**	**0**	**0**	**2,871,800**	**656**	**2,056,200**	**307**	**150**	**194**	**206**	**266**
4	**Fittings**	**4,346,180**	**392**			**1,610,000**	**368**	**2,736,180**	**408**	**212**	273	**104**	134
	Fit out												
	YC Contribution	**1,200,000**	108			**1,200,000**	**274**		**0**				
5A	Sanitary Appliances	1,939,100	175			384,100	88	1,555,000	232	10	13	136	175
5B	Services Equipment (kitchen, laundry) - FoH MEPH fit out	450,000	41					450,000	67			62	
5C	Disposal Installations	687,200	62			193,800	44	493,400	74	20	26	13	17
5D	Water Installations	1,063,000	96			308,300	70	754,700	113	19	25	85	110
5E	Heat Source	996,300	90			440,500	101	555,800	83			28	
5F	Space Heating & Air Treatment	3,998,200	361			1,386,500	317	2,611,700	390			164	
5G	Ventilating Systems, smoke extract & control	2,308,700	208			1,724,200	394	584,500	87	50	65	97	125
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS, PV Panels)	3,947,090	356			1,410,200	322	2,536,890	379	315	406	209	270
5I	Fuel Installations											6	
5J	Lift Installations	1,320,000	119			615,000	141	705,000	105	44	57	43	55
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)	1,375,550	124			507,700	116	867,850	130			31	
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	2,795,650	252			862,700	197	1,932,950	289	163	210	83	107
5M	Special Installations - (window cleaning, BMS, medical gas)	253,150	23			44,900	10	208,250	31	520	671	67	86
	Client IT	500,000	45					500,000	75				
5N	BWIC with Services and fire stopping	1,663,380	150			1,147,900	262	515,480	77	6	8	24	31
5O	Testing & commissionng	59,320	5					59,320	9				
	Sub contract prelims	362,980	33					362,980	54				
5	**Services**	**23,719,620**	**2,142**	**0**	**0**	**9,025,800**	**2,063**	**14,693,820**	**2,193**	**1,147**	**1,480**	**1,048**	**977**
6A	Site Works (also see green roofs)	250,000	23			250,000	57		0				
6B	Drainage												
6C	External Services												
6D	Minor Building Works - sub station	750,000	68			296,000	68	454,000	68				
6	**External Works 1.1%**	**1,000,000**	**90**	**0**	**0**	**546,000**	**125**	**454,000**	**68**	**0**	**0**	**0**	**0**
	SUB TOTAL	**88,504,900**	**7,992**	**4,272,000**	**386**	**43,031,000**	**9,836**	**41,201,900**	**6,150**	**3,160**	**4,076**	**2,653**	**3,047**
7	**Preliminaries 17.5%**	15,527,500	1,402	**726,000**	66	**7,084,000**	**1,619**	**7,717,500**	**1,152**				
	Overheads & Profit 4.9%	5,141,000	464	**250,000**	23	**2,445,000**	**559**	**2,446,000**	**365**				
	SUB TOTAL	**109,173,400**	**9,859**	**5,248,000**	**474**	**52,560,000**	**12,014**	**51,365,400**	**7,668**	**3,160**	**4,076**	**2,653**	**3,047**
	Design Development risks 2.5%	2,699,000	244	131,000	12	1,284,000	293	1,284,000	192				
	Construction risks 2.5%	2,699,000	244	131,000	12	1,284,000	293	1,284,000	192				
	Employer change risks												
	Employer other risks - to balance	1,600	0		0								
	TOTAL	**114,573,000**	**10,346**	**5,510,000**	**498**	**55,128,000**	**12,601**	**53,933,400**	**8,051**				
	Client direct	2,300,000	208		0			2,300,000	343				
		116,873,000	**10,554**	**5,510,000**	**498**	**55,128,000**	**12,601**	**56,233,400**	**8,394**				
			10,554		**498**		**12,601**		**8,394**				
	Benchmarking						4,650		3,421				
	Add external works					125		68					
	Add additional cost of substructure/ basements					4,645							
	Add superstructure allowances					508							
	Add additional cost of finishes							41					
	Add additional cost of fittings					95		274					
	Add YC Contribution					274							
	Add additional cost of services - allow					100		1,217					
	Add additional cost of frame & upper floors							576					
	Add additional cost of external walls & windows							998					
	Add entrance canopy							37					
	Add additional cost of internal walls							169					
	Add additional cost of internal doors							53					
	Add client direct							343					
						5,747		3,776					
	Add prelims 17.5%					1,006		661					
	Add OHP 5%					338	7,091	222	4,659				
							11,741		8,080				
	Add contingency 7.5%						881		606				
	Total adjusted benchmark						12,622		8,686				

135-149 Shaftsbury Ave (Former Saville Theatre) WC2H 8AH
Elemental analysis Scenario 3 & BCIS benchmarking

	GIA m²	10,756		3,581		7,175		Theatres		Hotels	
		Total		Theatre		Hotel		LF100	LF129	LF100	LF129
		£	£/m²	£	£/m²	£	£/m²	£/m²	£/m²	£/m²	£/m²
	Demolitions 0.3%	**250,000**	**23**	**250,000**	**70**						
1	**Substructure**	**4,000,000**	**372**	**1,500,000**	**419**	**2,500,000**	**348**	**226**	**292**	**234**	**302**
	Structural alterations for seating and acoustics	**7,321,000**	**681**	**7,321,000**	**2,044**		**0**				
2A	Frame	8,136,000	756		0	8,136,000	1,134	295	381	222	286
2B	Upper Floors							151	195	69	89
2C	Roof	2,564,000	238	304,000	85	2,260,000	315	146	188	166	214
2D	Stairs	1,138,000	106	460,000	128	678,000	94	123	159	50	65
2E	External Walls & façade retention	18,565,000	1,726	7,265,000	2,029	11,300,000	1,575	459	592	262	338
	Roof terrace amenity	2,000,000	186		0	2,000,000	279				
2F	Windows & External Doors							88	114	135	174
2G	Internal Walls & Partitions	1,582,000	147		0	1,582,000	220	101	130	74	95
2H	Internal Doors	1,356,000	126		0	1,356,000	189	62	80	83	107
2	**Superstructure**	**35,341,000**	**3,286**	**8,029,000**	**2,242**	**27,312,000**	**3,807**	**1,425**	**1,838**	**1,061**	**1,369**
3A	Wall Finishes	3,041,849	283	2,137,849	597	904,000	126	29	37	80	103
3B	Floor Finishes	157,180	15	157,180	44		0	93	120	76	98
3C	Ceiling Finishes	125,313	12	125,313	35		0	28	36	50	65
3	**Internal Finishes**	**3,324,342**	**309**	**2,420,342**	**676**	**904,000**	**126**	**150**	**194**	**206**	**266**
4	**Fittings**	**2,828,658**	**263**	**1,698,658**	**474**	**1,130,000**	**157**	**212**	**273**	**104**	**134**
	Technical & stage equipment	**1,802,000**	**168**	**1,802,000**	**503**		**0**				
	Fit out	**9,718,000**	**903**		**0**	**9,718,000**	**1,354**				
5A	Sanitary Appliances	64,269	6	9,067	3	55,203	8	10	13	136	175
5B	Services Equipment (kitchen, laundry) - FoH MEPH	541,204	50		0	541,204	75			62	
5C	Disposal Installations	414,199	39	99,940	28	314,259	44	20	26	13	17
5D	Water Installations	757,942	70	129,424	36	628,518	88	19	25	85	110
5E	Heat Source	921,481	86	253,035	71	668,446	93			28	
5F	Space Heating & Air Treatment	2,647,661	246	648,575	181	1,999,086	279			164	
5G	Ventilating Systems, smoke extract & control	1,023,146	95	700,829	196	322,317	45	50	65	97	125
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS, PV Panels)	2,930,363	272	512,506	143	2,417,857	337	315	406	209	270
5I	Fuel Installations									6	
5J	Lift Installations	1,273,532	118	425,647	119	847,886	118	44	57	43	55
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)	1,175,177	109	245,629	69	929,547	130			31	
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	2,152,762	200	348,269	97	1,804,493	251	163	210	83	107
5M	Special Installations - (window cleaning, BMS, medical gas)	212,392	20		0	212,392	30	520	671	67	86
	Client IT	601,337	56		0	601,337	84				
5N	BWIC with Services and fire stopping	1,218,281	113	702,213	196	516,068	72	6	8	24	31
5O	Management of commissioning of services										
5	**Services**	**15,933,747**	**1,481**	**4,075,136**	**1,138**	**11,858,611**	**1,653**	**1,147**	**1,480**	**1,048**	**977**
6A	Site Works	250,000	23	250,000	70		0				
6B	Drainage										
6C	External Services										
6D	Minor Building Works - sub station & utilities	1,500,878	140	954,864	267	546,014	76				
6	**External Works**	**1,750,878**	**163**	**1,204,864**	**336**	**546,014**	**76**	**0**	**0**	**0**	**0**
	SUB TOTAL	**82,269,626**	**7,649**	**28,301,000**	**7,903**	**53,968,626**	**7,522**	**3,160**	**4,076**	**2,653**	**3,047**
7	**Preliminaries 19.3%**	15,866,374	1,475	**4,811,000**	1,343	**11,055,374**	1,541				
	Overheads & Profit 5%	4,907,000	456	**1,656,000**	462	**3,251,000**	453				
	SUB TOTAL	**103,043,000**	**9,580**	**34,768,000**	**9,709**	**68,275,000**	**9,516**	**3,160**	**4,076**	**2,653**	**3,047**
	Design Development risks 2%	2,061,000	192	695,000	194	1,366,000	190				
	Construction risks 10%	10,305,000	958	3,477,000	971	6,828,000	952				
	Employer change risks										
	Employer other risks										
	TOTAL	**115,409,000**	**10,730**	**38,940,000**	**10,874**	**76,469,000**	**10,658**				
	Client direct 2.2	2,500,000	232		0	2,500,000	348				
	TOTAL	**117,909,000**	**10,962**	**38,940,000**	**10,874**	**78,969,000**	**11,006**				
					10,874		**11,006**				
	Benchmarking				**4,650**		**3,421**				
	Add demolitions			70							
	Add external works			336		76					
	Add additional cost of substructure			127		47					
	Add Structural alterations for seating and acoustics			2,044							
	Add additional cost of external walls, facade retention & windows			1,323		1,063					
	Add additional cost of finishes			482							
	Add additional cost of fittings			201		23					
	Add additional cost of frame					759					
	Add additional cost of roof					101					
	Add roof terrace amenity					279					
	Add additional cost of in ternal walls & doors					207					
	Add additional cost of fit out					1,354					
	Add additional cost of services					676					
				4,584		4,585					
	Add prelims 17.5% (as proposed)			802		802					
	Add OHP 5%			269	5,656	269	5,656				
					10,306		9,077				
	Add contingency 7.5% (as proposed)				773		681				
	Add client direct						348				
	Total adjusted benchmark				11,079		10,106				
	Difference					6,455,066	900				

The difference between the benchmarked and applicants hotel costs is the higher costs of preliminaries, OHP and contingency in the scenario 3 estimate compared to the proposed scenario 1. At the same rates as Scenario 1 the cost would be £10,083/m² compared to the applicants £11,006/m²

Appendix 2: Glossary

Term	**Definition** (links provided for further information)
Actual Developer Return (or profit)	As opposed to target return, the actual return is what developers are due to receive from a development scheme.
Affordable Rent:	Affordable rent is rent that is set at up to 80% of market rent (including service charges). Includes SR, LAR and DMR housing.
Social Rent (SR)	Social rent is usually rent that is paid to registered providers and local authorities. It is low-cost rent that is set by a government formula.
London Affordable Rent (LAR)	London Affordable Rent (LAR) homes are rented by social landlords with rents capped at benchmark levels published by the Greater London Authority. They are lower than the 80% per cent of market rents at which affordable rents can be charged. The London Plan
Discounted Market Rent (DMR)	Usually at 80% or less of open market rent, or to LAR levels.
Alternative Use Value (AUV)	Ultimately, AUV considers other options for a property to ascertain the highest value and best use for the land. There's usually more than one thing that can be done to release value in a site, and it's logical that the landowner should consider all avenues before bringing a scheme forward. Government guidance allows viability assessors to consider the alternative use value of a building as a benchmark, provided this relates to a lawful use which complies with the adopted development plan. This alternative use can therefore be: - a legal permitted change of use or development (which does not require planning permission) - an existing planning permission (for example a smaller scheme) - or a proposal which fully complies with all development plan policies. Existing Use Value remains the preferred method of assessing BLV under PPG and AUV use is limited by a number of specific conditions. NPPG
Benchmark Land Value (BLV)	The benchmark land value (BLV) is the hypothetical land value used to assess planning viability; it does not include hope value. Established based on either the existing use value (EUV) or the Alternative Use Value (AUV) of the land and may include a Landowner Premium. NPPG
Construction Costs	Total build costs associated with the development.
Build to Rent (BTR)	Build to Rent is a property development that is designed with the sole intention of appealing to the rental market as opposed to long-term home ownership. The London Plan
Co-Living	the practice of living with other people in a group of homes that include some shared facilities (typically shared working, leisure spaces and kitchens). The London Plan
Community Infrastructure Levy (CIL)	The Community Infrastructure Levy (CIL) is a levy on development that councils across the country, are implementing. It helps to pay for local infrastructure including schools, paths, parks, open spaces and healthcare facilities.
Developer Return (or profit)	The amount or percentage return retained or retainable by the developer. NPPG
Developer return on cost	The amount of developer Return expressed as a percentage of Build Costs. NPPG
Developer return on GDV	The amount of Developer Return expressed as a percentage of GDV. NPPG
Development Appraisal	A financial appraisal of a development. It is normally used to calculate either the residual site value or the residual development profit, but it can be used to calculate other outputs. RICS Development Valuation
Existing Use Value (EUV)	What property or land is worth in its current form. In other words, the hypothetical price that it can be sold for on the open market, assuming it will only be used for the existing use for the foreseeable future and that no capital works will be undertaken. It excludes hope value for redevelopment. NPPG
Extra Care	The term 'extra care' housing is used to describe developments that comprise self-contained homes with design features and support services available to enable self- care and independent living.
Fair Value	'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.' (This definition derives from international Financial Reporting Standards IFRS 13.) The Red Book

Gross Development Value (GDV)	The value of a development once construction has been completed, or the total sum of the sales values for the finished development. NPPG
Gross External Area (GEA)	Broadly speaking the whole area of a building taking each floor into account, including the thickness of the external walls. Most similar to IPMS 1. Code of Measuring Practice IPMS
Gross Internal Area (GIA)	Broadly speaking the whole enclosed area of a building taking each floor into account and excluding the thickness of the external walls. Most similar to IPMS 2. Code of Measuring Practice IPMS
Ground Rent	An additional amount which many people who own leasehold properties must pay. It's charged by a "landlord", although the more accurate term is perhaps "freeholder" – the person who owns the land, and ultimately owns the lease. No longer applied on new dwellings.
House of Multiple Occupation (HMO)	A property shared by at least 3 people who are not from 1 'household' (for example a family) and share facilities like the bathroom and kitchen. You must have a licence if you're renting out a large HMO in England or Wales. Your property is defined as a large HMO if all of the following apply: • it is rented to 5 or more people who form more than 1 household. • some or all tenants share toilet, bathroom, or kitchen facilities. • at least 1 tenant pays rent (or their employer pays it for them) The London Plan
Internal Rate of Return (IRR)	The rate of interest (expressed as a percentage) at which all future project cash flows (positive and negative) will be discounted in order that the net present value (NPV) of those cash flows, including the initial investment, be equal to zero. IRR can be assessed on both gross and net of finance. RICS Development Valuation
Shared Ownership (SO)	The purchaser pays a mortgage on the share they own and pays a subsidised rent to a housing association on the remaining share. The purchaser has the option to increase their share during their time in the property via a process known as 'staircasing', and in most cases can staircase all the way to 100%. It is a form of intermediate housing.
London Living Rent (LLR)	London Living Rent is a type of intermediate affordable housing for Londoners to build up savings to buy a home. London Living Rent provides rented homes on stable tenancies, with rents based on a third of local household incomes. It is a form of intermediate housing. The London Plan
ITZA	ITZA is surveyor-abbreviation meaning 'area in terms of Zone A'. Totalling the Zone A equivalent of each zone (i.e. Zone B/2, Zone C/4 etc) and expressing the total in terms of Zone A is a method of analysing rents. Code of Measuring Practice
Landowner Premium	The premium (or the 'plus' in EUV+) is a component of benchmark land value. It is the amount (if any) above existing use value (EUV) that goes to the landowner and reflects an incentive for the landowner to dispose of the land for development. NPPG
Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The Red Book
National Planning Policy Framework (NPPF)	The revised National Planning Policy Framework sets out government's planning policies for England and how these are expected to be applied. National Planning Policy Framework
Net Internal Area (NIA)	Broadly speaking the usable area within a building measured to the face of the internal finish of perimeter or party walls, excluding corridors and WCs etc and taking each floor into account. Most similar to IPMS 3. Code of Measuring Practice IPMS
Net Sales Area (NSA)	Net Sales Area is the GIA of a new or existing residential dwelling, including basements, mezzanines, galleries and hallways, but excluding garages, conservatories, balconies, outbuildings, terraces and restricted height areas under 1.5m. Code of Measuring Practice
Net Lettable Area (NLA)	As above, expressing the area to be rentalised. Code of Measuring Practice
Planning Obligations	Planning obligations are legal obligations entered into to mitigate the impacts of a development proposal. This is usually via s106 agreement. Planning obligations run with the land, are legally binding and enforceable. They can include affordable housing, infrastructure contributions, CIL etc.
NPPG	The National Planning Practice Guidance adds further context to the National Planning Policy Framework (NPPF) and it is intended that the two documents should be read together. Plan makers must have regard to national policies and advice contained in the guidance when developing their plans. The guidance is also a 'material consideration' when taking decisions on planning applications. This means that if a local policy is deemed out of date, local authorities may be directed by the national guidance's requirements.

Open Market Sale (OMS)	Housing that is to be sold at Market Value.
Residual Value	The amount remaining once the gross development cost of a project is deducted from its gross development value (GDV) and an appropriate return has been deducted. RICS Development Valuation
Retirement Living	A retirement village or development built specifically for older adults - often those aged 55, 60 or 65 and over. They come with a range of superb facilities and can offer on-site care.
RICS	Royal Institution of Chartered Surveyors.
Target Developer Return (or profit)	The target profit required by the developer. NPPG
The Red Book	The Red Book is issued by RICS and details mandatory practices for RICS members undertaking valuation services. It also offers a useful reference resource for valuation users and other stakeholders. The Red Book
Zoning	In retail property valuation, Zoning is the area closest to the street and the most valuable area of retail, with the value decreasing with distance from the frontage: Zone B is the next 6 metres and then Zone C until the entire depth of the retail area is allocated into a zone. Anything after Zone C is usually delegated as the remainder (of space). Code of Measuring Practice

The above definitions are indicative only and are not to be relied upon. Professional advice should always be sought.

Appendix 3: Hotel Report

Melvin Gold Consulting

Specialist Consultant to the Hotel Industry

Proposed Hotel as part of a Development Site at 135-149 Shaftesbury Avenue, London WC2, in the London Borough of Camden

Initial Report

Prepared for:

BPS Chartered Surveyors

February 2025

BPS Chartered Surveyors
215a High Street
Dorking
Surrey RH4 1RU

19 February 2025

Dear Sirs

Re: Proposed Hotel Development in Shaftesbury Avenue, London WC2

Thank you for retaining us to prepare a report and financial estimates related to the proposed development of a hotel as part of a development site located at 135-149 Shaftesbury Avenue, London WC2H 8AH. You are retained on this matter by the London Borough of Camden.

Our Initial Report is contained herein, based on a brief research programme conducted during February 2025. It illustrates our initial view as to the potential future performance of the hotel assuming the market conditions which we expect to prevail, as discussed. This considers both the hotel envisaged as part of the application and the scenarios submitted. We note neither the FVA nor the documents submitted with the application contain any information or support from the hotel operator, nor much supporting information on the London hotel market.

As is usual in such reports we have, by necessity, made a number of assumptions (generally following research) which lead us to the conclusions contained herein. This report sets out our opinion, after considering all the factors of which we were aware.

We have used our best endeavours to research the specific issues highlighted in respect of this proposed hotel development. Whilst we have used all reasonable care and skill in undertaking the assignment we are not responsible and cannot be held responsible for any losses or other liabilities arising from the conduct of this assignment, or from any actions taken as a result of the information provided. Our report is submitted as part of the planning application process to support the assignment that you are retained for. Although you may rely on it for your purpose, and that of London Borough of Camden, it does not represent commercial advice for the subject development or for any other purpose. We recognise it may enter the public domain through the planning process but it does not constitute advice to any third party who may receive it and they should retain their own independent advice.

We thank you for having retained us on this most interesting and important assignment and remain at your service for further advice or discussion concerning this report or any other hotel industry related matters.

Yours faithfully

Melvin Gold
Hotel Industry Consultant

Table of Contents

1 – Introduction

Introduction
BPS Chartered Surveyors (BPS) has been instructed as valuers by the London Borough of Camden (LB of Camden) in relation to a planning application for a development site at 135-149 Shaftesbury Avenue, London WC2H 8AH. The applicant is YC Saville Theatre Limited and they are supported in their application by a team of specialist professionals, most notably from our perspective, Montagu Evans LLP (Montagu Evans) who have prepared a Financial Viability Assessment and other supporting documents.

Historically the site was built and operated as The Saville Theatre. Subsequently it was converted to use as a cinema by various operators most recently as a 4-screen Odeon cinema. That operator has now vacated the site and it is unoccupied. A full background and description is contained in the various documents submitted as part of the planning application (London Borough of Camden planning application reference 2024/0993/P) and we do not unnecessarily re-iterate them here. We note that the building is Grade II listed.

According to the Financial Viability Assessment (FVA) dated January 2025 "The Proposed Development would include part-demolition, part-retention and stabilisation and refurbishment of the existing Grade II listed building. New basement levels will be excavated to accommodate the theatre, with the introduction of ancillary retail and theatre lobby, box office and front of house facilities at ground floor level." Overall the proposed scheme comprises "a theatre within new basement levels, ancillary restaurant/bar at ground floor, and 211 hotel beds on upper floors. The hotel beds are a mixture of conversion and new build units, the latter within the 5-storey upwards extensions."

Montagu Evans also state that "The Proposed Development would become the first UK-based permanent home of Cirque du Soleil. At upper levels, the 211-bed boutique hotel would be operated by citizenM." They state, among other comments which we are unqualified to comment upon, "The proposed hotel use is an enabling use that is better able to cross subsidise the costs of development than is the proposed theatre."

In addition to the scheme which is the subject of this application, Montagu Evans have stated that they are instructed to carry out an FVA for two additional scenarios. Specifically:

- Scenario 2: A hypothetical scheme in which the existing building envelope is filled with a new theatre. There would be no additional basement dig or upwards extensions and the use of the completed building would be 100% theatre.

- Scenario 3 - A variation of Scenario 2, with hotel bedrooms added through upwards extensions (i.e. new build only) until such a point as the scheme would be deliverable.

BPS Chartered Surveyors has approached Melvin Gold Consulting, a specialist hotel industry consultancy, with the key task of preparing financial estimates for the potential hotel, as well as a suitable report and commentary on the hotel element. Consideration of various planning issues are critical elements of the outcomes of BPS' valuation and development appraisal of the project as a whole. The hotel financial estimates are intended as inputs into those valuations. Given our specific expertise we have confined our report to hotel industry matters.

Scope of Work and Methodology
We have conducted this assignment from the desk. We have not visited the site during the period of this assignment although it, and the area around it, are well known to us. In fact

over time we have viewed films in the cinema there prior to closure. We have been in the vicinity of the site within a month prior to being retained on the assignment.

Our work has primarily comprised earnings estimates of the hotel proposed in the planning application, envisaging a future opening with the facilities proposed. We have also considered the scenarios that are submitted by Montagu Evans within their FVA report.

There is no information provided by, or sourced to, the hotel operator CitizenM within the submission (except for a short Operating Plan) and as we have noted the brand and its operation is a very specific hotel. As the company's website states "It's impossible to confuse citizenM with any other hotel. We don't look or sound like anyone else." Given this, we would have expected input from the operator to underpin the application and for the application to contain additional support and information on the competitive hotel market and CitizenM's positioning within it.

Noting the scarcity of such information we have compiled a short initial report supporting our earnings estimates and appropriate market commentary. If more information is subsequently provided then we may wish to extend and/or reconsider our reporting but we believe it is appropriate for the current context given the information made available within the application.

The report and our earnings estimates are submitted to BPS Chartered Surveyors for consideration in the valuations that they are preparing related to this application. We are available to discuss our findings with BPS to assist with rationale for the valuations as required. If required we are also available to discuss the matter with Montagu Evans if they challenge our report by a written submission, albeit we note the information that they have currently provided is relatively brief. If further information is provided then we will be prepared to further consider and enhance our report and if necessary to revise our earnings estimates.

2 – Executive Summary

- The development site is located at 135-149 Shaftesbury Avenue, London WC2H 8AH. Shaftesbury Avenue is a busy road connecting New Oxford Street to the north with Picadilly Circus to the south west. Road traffic operates in both directions. Covent Garden is situated to the east with the Soho district to the west. It would generally be regarded as being within London's West End and its theatreland. In micro location terms the site comprises an entire city block bounded by Shaftesbury Avenue, Stacey Street, St Giles Passage and New Compton Street.

- We note that as part of the proposed development there is intended to be a permanent London theatre housing Cirque du Soleil and of course there would be some synergy with a hotel on the site for tourist visitors to such a theatre offering. We consider that a hotel on the site would be well located for both leisure/tourist and business visitors to London. There are plenty of attractions and businesses within easy walking distance of the hotel and good public transport from which to visit any of the remainder of the city that requires a longer journey.

- The Proposed Hotel is a 211 bedroom CitizenM hotel. Average bedroom size is 13m^2 and the bedrooms are located on floors 1 to 9. The hotel entrance is located on the Ground Floor from New Compton Street and the hotel lobby including its Food and Beverage facilities are located on the 5th Floor. There is a luggage store at Ground Floor level as well as recycling and delivery facilities and there are also Back of House areas on the 4th Floor.

- We believe it is important to understand the brand and company because, on their own admission, "It's impossible to confuse citizenM with any other hotel. We don't look or sound like anyone else." We discuss the brand and the factors that make it so individual – perhaps unique – within the body of this report.

- London is the largest and arguably the most dynamic hotel market in Europe. Savills estimate that there are currently some 9,300 rooms under development and due to open before the end of 2026. Development activity is heavily skewed towards branded hotels at all tiers of the market.

- London is among the world's most dynamic and resilient hotel markets. Typically the 'market' Occupancy level exceeds 80% as it did for almost all of the 30 years prior to the Covid pandemic. This is unprecedented in any other major European hotel market. PWC's UK hotel forecast for 2025 envisages positive but generally subdued market conditions

- Montagu Evans have predominantly relied upon a per room valuation of the proposed hotel (and the scenario hotels) within their FVA. They have provided an abbreviated hotel Profit and Loss estimate depicting the subject hotel. There is no commentary, explanation or support provided for this Profit and Loss Account. We note that a 50% NOI for a London hotel would be unusual, perhaps unprecedented. If it relates to a level that CitizenM are achieving or believe they would achieve then we believe that evidence of that should be provided, or at the very least operator support should be provided.

- We are unaware of CitizenM's proposed tenure of the subject hotel. Management Agreement would require fees to be provided for and other options would also need to be financially reflected.

- Overall we believe that the Occupancy and Average Room Rate used by Montagu Evans is reasonable for the 211 bedroom hotel in stabilised trading conditions and we have therefore also used their Occupancy of 85% and Average Room Rate of £215 as a basis for our financial estimates. We have also adopted their Food and Beverage estimates for a stabilised year of operation.

- We have then sought to consider the operating costs by department taking account of the characteristics of the hotel and the brand.

- At stabilised levels of performance this indicates Net Operating Profit at £6.7m or 45.1% of revenue. However we note that our estimates do not include any management fees – base or incentive – nor a provision for renewals and replacements. Hotels tend to take a period of time to reach optimum trading performance and we have considered that this stabilised level is only reached in the third year of operation. Our estimates are summarised as follows:

Financial Estimates for the Proposed 211 room CitizenM Hotel at Shaftesbury Avenue, London WC2 in constant 2025 values										
	Year 1	**Ratio**	**Year 2**	**Ratio**	**Year 3**	**Ratio**	**Year 4**	**Ratio**	**Year 5**	**Ratio**
	£	%	£	%	£	%	£	%	£	%
Revenues										
Rooms	11,921,922	94.0%	13,056,160	94.2%	14,074,491	94.3%	14,074,491	94.3%	14,074,491	94.3%
Food & Beverage	760,022	6.0%	802,246	5.8%	844,469	5.7%	844,469	5.7%	844,469	5.7%
Total Revenue	12,681,944	100.0%	13,858,406	100.0%	14,918,960	100.0%	14,918,960	100.0%	14,918,960	100.0%
Total Dept. Costs	4,372,663	34.5%	4,506,892	32.5%	4,560,135	30.6%	4,560,135	30.6%	4,560,135	30.6%
Gross Profit	8,309,281	65.5%	9,351,514	67.5%	10,358,825	69.4%	10,358,825	69.4%	10,358,825	69.4%
Total Undistributed Costs	2,472,979	19.5%	2,605,380	18.8%	2,685,413	18.0%	2,685,413	18.0%	2,685,413	18.0%
Income Before Fixed Charges	5,836,302	46.0%	6,746,134	48.7%	7,673,412	51.4%	7,673,412	51.4%	7,673,412	51.4%
Total Fixed Costs	950,990	7.5%	950,990	6.9%	950,990	6.4%	950,990	6.4%	950,990	6.4%
Net Operating Profit/EBITDA	4,885,313	38.5%	5,795,144	41.8%	6,722,423	45.1%	6,722,423	45.1%	6,722,423	45.1%
Statistics										
Room Occupancy	80%		83%		85%		85%		85%	
Average Room Rate	193.50		204.25		215.00		215.00		215.00	
RevPar	154.80		169.53		182.75		182.75		182.75	

- Montagu Evans have envisaged various alternative scenarios. We have also made estimates for those scenarios which are summarised as follows:

Summary of Profitability of the Proposed Scheme and Various Scenarios – Shaftesbury Avenue Hotel						
	Rooms	**Year 1 NOP £**	**Year 2 NOP £**	**Year 3 NOP £**	**Year 3 NOP %**	**Year 3 NOP per room**
Proposed Scheme	211	4,885,313	5,795,144	6,722,423	45.1%	31,860
Scenario 3a	302	7,295,767	8,305,309	9,600,654	46.6%	31,790
Scenario 3b	473	9,062,917	11,174,526	13,565,358	46.9%	28,679
Scenario 3c	226	5,262,505	6,239,864	7,235,689	45.3%	32,016

- We consider our financial modelling and estimates to be appropriate for use within the valuations that BPS Chartered Surveyors are preparing for the London Borough of Camden, for consideration in relation to the planning application.

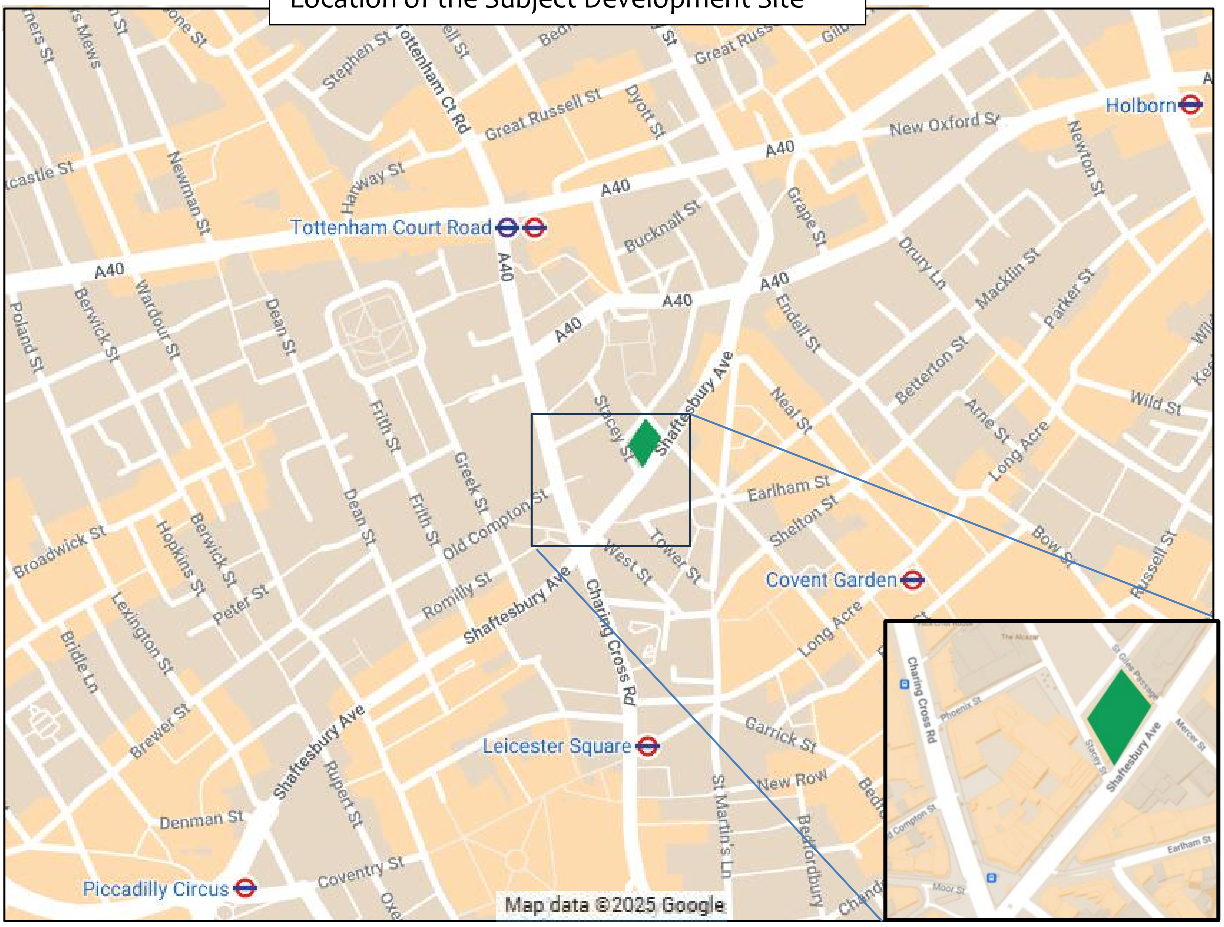
3 – 135-149 Shaftesbury Avenue Development Site

Introduction
In this section we discuss the development site and its location, as well as the proposed hotel scheme which is a major element of it and our primary focus.

Site Location
The development site is located at 135-149 Shaftesbury Avenue, London WC2H 8AH. Shaftesbury Avenue is a busy road connecting New Oxford Street to the north with Picadilly Circus to the south west. Road traffic operates in both directions and the road is within the congestion charge area as well as the ULEZ area. Covent Garden is situated to the east with the Soho district to the west. It would generally be regarded as being within London's West End and its theatreland. The site location is depicted on the Map below.

In micro location terms the site comprises an entire city block bounded by Shaftesbury Avenue, Stacey Street, St Giles Passage and New Compton Street.

Location of the Subject Development Site



Consideration of the Site as a Hotel Location
The site would be well regarded as a hotel location with popular visitor districts nearby and many visitor attractions and most of London's theatres being within easy walking distance. The site is also well located for public transport with Tottenham Court Road, Leicester Square and Covent Garden underground stations all within easy reach and numerous bus routes also operating through the area or nearby.

Although we consider the location well suited for hotel development, especially at the mid-market and budget / economy sectors of the market, we note there are relatively few hotels in the area. This is probably due to the variety of other uses of sites in the area which are historic to some extent. We note that the Radisson Blu Mercer Street is the closest branded full service hotel to the site, and the boutique luxury Covent Garden Hotel is also nearby. On the other hand the Z Hotel Soho and the sizeable Travelodge Covent Garden are budget hotels within the area. The area would not be generally regarded as a luxury hotel area – these tend to predominate around Mayfair and Park Lane.

Proximity to the Site

We note that as part of the proposed development there is intended to be a permanent London theatre housing Cirque du Soleil and of course there would be some synergy with a hotel on the site for tourist visitors to such a theatre offering.

Beyond that, as stated above, we consider that a hotel on the site would be well located for both leisure/tourist and business visitors to London. There are plenty of attractions and businesses within easy walking distance of the hotel and good public transport from which to visit any of the remainder of the city that requires a longer journey.

The Proposed Hotel Development Plan

We have earlier summarised the development proposal in broad terms. Below we seek to present more of the detail of the proposal, especially the hotel component which is our primary focus. As well as taking account of the information within the FVA we have viewed the plans and other documents on the London Borough of Camden planning website under reference 2024/0993/P. We note that new plans were added to the site on 7 February 2025 although there is not yet a Design and Access Statement presented to support those plans. The previous version dated 12 March 2024 is marked as superseded and as at 18 February 2025 there is not a new version.

From the FVA (page 8) we understand the current proposal to comprise:

Quote

- Extensive refurbishment of the listed building façade;
- Excavation of additional basement levels;
- Provision of a new 294 seat theatre space. Cirque du Soleil have signed a 20 year lease for their first permanent UK home;
- Erection of 5-storey roof extension (plus plant);
- Creation of a new 211-bedroom hotel for citizenM;
- Retail at ground floor level, associated with the theatre use; and
- Addition of 1,291 sqm ancillary floorspace, including servicing facilities and cycle parking

Unquote

Montagu Evans summarise the floorspace created within the development as follows:

Use Class	Floorspace GIA (m^2)
Hotel	6,097
Theatre & Ancillary Restaurant/Bar	3,688
Ancillary/Plant	1,291
Total	**11,076**

In Appendix 1 of the FVA, Montagu Evans illustrate the overall layout in area terms (Proposed Area Schedule) and we have copied that overleaf for ease of reference.

As is evident from the Proposed Area Schedule the Theatre (and Food and Beverage facilities) are predominantly located on the Ground Floor and basement levels whereas the hotel largely occupies all of the space from Level 1 upwards as well as an area to facilitate entrance/arrival on the Ground Floor. We confine the remainder of our comments to the hotel component only.

2111-SPP-ST-ZZ-SH-A-XX-6110-S4
Proposed Area Schedule
Revision P02
Dated: 15.01.25

135 Shaftesbury Avenue, London

SPPARC

LEVEL	THEATRE		HOTEL		ANCILLARY / PLANT		TOTAL GEA	
	GEA sqm	GEA sqft	GEA sqm	GEA sqft	GEA sqm	GEA sqft	GEA sqm	GEA sqft
Level 10			51	549	16	172	67	721
Level 09			731	7868	16	172	747	8041
Level 08			816	8783	16	172	832	8956
Level 07			816	8783	16	172	832	8956
Level 06			790	8503	16	172	806	8676
Level 05			692	7449	16	172	708	7621
Level 04			811	8730	22	237	833	8966
Level 03			587	6318	185	1991	772	8310
Level 02			587	6318	185	1991	772	8310
Level 01	130	1,399	599	6448	43	463	772	8,310
Ground Floor	569	6,125	206	2,217	47	506	822	8,848
B1 Mezzanine	708	7,621			296	3,186	1,004	10,807
Auditorium Technical	316	3,401			14	151	330	3,552
Basement 01	813	8,751			14	151	827	8,902
Basement 02	825	8,880			14	151	839	9,031
Basement 03	990	10,656			14	151	1,004	10,807
Basement 04	559	6,017			445	4,790	1,004	10,807
TOTAL	**4,910**	**52,851**	**6,686**	**71,967**	**1,375**	**14,800**	12,971	139,619

LEVEL	THEATRE		HOTEL		ANCILLARY / PLANT		TOTAL GIA	
	GIA sqm	GIA sqft	GIA sqm	GIA sqft	GIA sqm	GIA sqft	GIA sqm	GIA sqft
Level 10			44	474	10	108	54	581
Level 09			711	7653	15	161	726	7815
Level 08			785	8450	15	161	800	8611
Level 07			785	8450	15	161	800	8611
Level 06			757	8148	15	161	772	8310
Level 05			651	7007	15	161	666	7169
Level 04			577	6211	160	1722	737	7933
Level 03			524	5640	160	1722	684	7363
Level 02			524	5640	160	1722	684	7363
Level 01	118	1,270	538	5,791	30	323	686	7,384
Ground Floor	501	5,393	201	2,164	42	452	744	8,008
B1 Mezzanine	476	5,124			294	3,165	770	8,288
Auditorium Technical	201	2,164			14	151	215	2,314
Basement 01	581	6,254			12	129	593	6,383
Basement 02	593	6,383			12	129	605	6,512
Basement 03	758	8,159			12	129	770	8,288
Basement 04	460	4,951			310	3,337	770	8,288
TOTAL	**3,688**	**39,697**	**6,097**	**65,627**	**1,291**	**13,896**	11,076	119,221

Note:
All area calculations are preliminary based on the architectural design information currently available and will be subject to change following the required cross discipline coordination with the MEP, structural, facade, fire and accessibility consultants, identification of any unknown legal restrictions, continued collaboration with the exhibition business, further design development and obtaining the required statutory Planning and Building Control consents.

We discuss CitizenM and the specifics of its brand offer subsequently. The plans have very specifically been tailored to CitizenM and its requirement in our opinion. This is consistent with the stated operator of the hotel of course.

The plans show that the entrance to the hotel will be from New Compton Street close to the junction with Stacey Street. It appears that there would be no hotel staff at that level. Guests would progress to the lifts and up to the hotel reception and lobby which is to be situated on Floor 5. We assume there would be some security device on the lifts to prevent entry to guest floors although that is hard to enforce if a resident guest alights at a lower floor of the hotel before arriving guests have reached reception.

There is also a luggage store at the Ground Floor level although again we do not know how that will be operated securely with no hotel staff in proximity. Perhaps a locker arrangement will prevail. Adjacent to that, segregated, there is a hotel bin store and goods entrance. These also open onto New Compton Street although a little further along the road to the guest entrance. The theatre bin store, goods entrance and stage door are further along New Compton Street.

The Ground Floor and Floors 1 to 5 of the development are intended to be remodelled from the existing building with 5 additional floors to be newly built above that. Of those new floors, Floor 10 would hold plant and equipment. Thus the hotel bedrooms would be situated on Floors 1 to 9 and we summarise the number of rooms per floor from our analysis of the plans in the table below.

	Rooms
Floor 1	17
Floor 2	20
Floor 3	20
Floor 4	23
Floor 5	8
Floor 6	31
Floor 7	32
Floor 8	32
Floor 9	28
Total	**211**

Floor 5 has fewer rooms because it houses the Hotel Reception, Front of House and Food and Beverage areas. There is also a pantry area for food preparation and, we assume, storage. There is a further Back of House area for the hotel operator on the 4^{th} floor. There are no other obvious storage or back of house areas for the hotel within the plans. We do not yet know whether the plans have been approved by the hotel operator.

Scenario 3

As stated earlier, the FVA also considers two further scenarios although Scenario 2 does not include a hotel component. We have therefore disregarded that as it is outside the scope of our expertise. Scenario 3 does provide for hotel bedrooms added through upwards extensions (i.e. new build only). The theatre for Cirque du Soleil would be enlarged and located in the existing building necessitating the new build hotel development above. No plans or detail have been provided for this and of course it is a financial scenario only and not part of the planning application.

The FVA considers a level which, according to Montagu Evans calculations, the development would become viable with a hotel above the theatre. They estimate that 14 additional storeys comprising 302 rooms would generate an 8.5% development profit and that to receive a target developer profit of 17.5% there would need to be 19 additional storeys constructed with 473 bedrooms.

4 – CitizenM

Introduction
The subject planning application states that the hotel element of the development will be operated by CitizenM hotels. As far as we have been able to determine there is no meaningful discussion of the brand or company within any of the documents submitted. We believe it is important to understand the brand and company because, on their own admission, “It’s impossible to confuse citizenM with any other hotel. We don’t look or sound like anyone else.”

Thus in this section we present information on the company and its brand predominantly by reference to their own website. Any other sources are quoted and our own input is clear where provided.

Profile of CitizenM
CitizenM currently operates 36 hotels in 19 cities in Europe, North America and Asia Pacific. Our research and industry knowledge shows that the company opened their first hotel in Amsterdam in 2008. The entrepreneurial company was founded by Rattan Chadha and its growth has been supported by a range of institutional investors which reportedly include Dutch pension provider APG and Singapore-based GIC, which, in 2019, acquired a 25% stake. In March 2024 it was reported that some of the institutional shareholders (but not the founders or operational shareholders) were initiating a sale of their shareholdings in a transaction that would have valued the company (according to media speculation) at €4bn. There has been little media comment since that initial speculation.

Their website provides the following text to define the brand and its characteristics (letter capitalisation, or lack of, is theirs):

Quote
our mission
Become the leading transformational hotel; inspiring a new generation of modern travellers in the big cities of the world by offering an affordable luxury lifestyle, while providing sustained premium returns to stakeholders.

a new breed of hotel
We disrupted the traditional hotel model to give modern travellers what they want – affordable luxury.

In 2008, we opened our first hotel and designed it around a new type of traveller – one who values a luxury hotel experience in central city locations, but at an affordable price. A hybrid hotel that isn’t just a place to sleep, but somewhere to work, relax, and play. To meet like-minded people and get inspired. Somewhere to feel at home the moment you walk through the door. Somewhere with free Wi-Fi, comfortable furniture, and a great bed to crash in at the end of a long day.

mobile citizens
They cross continents as easily as others cross streets. We named our hotel after them – citizenM.

Modern travellers have more important needs than chocolates on pillows. They love to mix and match their choices, like a Gap shirt with an Armani blazer, or a Zara coat with a Chanel bag. They take the train into town, but order champagne once they get there. We took this type of traveller and called them ‘mobile citizens’, or citizenM for short. Every decision we made, and continue to make, is based around them and their ever-evolving appreciation of luxury and value. We call this ‘affordable luxury for the people’.

a brand with attitude
We aren't afraid to do things differently, to have fun, and to shout it to the world.

We are what we say, and we say we won't conform to old-fashioned standards. citizenM is a brand with attitude, and a strong but fun personality. A brand that connects with the young at heart, targeted to the global traveller of today. We like pushing boundaries and we always run pretty crazy ad campaigns to announce our hotel openings. From performances by hired actors in NYC to cheeky notes intended for our hospitality colleagues in London, we really know how to make an impact on the streets.

living rooms
Feel at home, even if home is 5,000 miles away.

We know our beds are the best in the world, but we don't want anyone to feel they have to stay in the bedroom. We made our living rooms as inviting as possible by creating multiple corners for working and eating, lounges for relaxing, and places for sitting and watching TV. Our 'curated chaos' includes exceptional art, books, designer furniture by Vitra, kitschy souvenirs and local artefacts. We use natural materials and add splashes of colour in the form of big cabinets and their styling, adjusting to the seasons, the city, the neighbourhood, or changing fashions, without ever going out of style.

check-in
Hello superfast check-in, nice to meet you.

We know your time is precious, that's why we don't want to waste any of it, not even when you check in or out. We swapped the tedious form-filling for self-service check-in at touch-screen terminals. It takes just 60 seconds to check in, 30 to check out, and our friendly ambassadors are always there to help. Room keys are RFID cards that double as payment method at canteenM, as luggage tags on your way home, and new keys for your next stay at citizenM. Clever, huh? And when you check out, your receipt goes straight to your email inbox.

art
The Earth without art is just 'eh'.

Our hotels are designed to make citizens feel comfortable enough to kick off their shoes and take a nap surrounded by accessible, inspiring artworks. Can you imagine doing that at an art gallery or a museum? Whether it's on our facades, in our living rooms, in the lifts, or at societyM, we like to mix the recognisable with art that makes you think. The main focus of our collection is conceptual art: works that stand for something, convey a certain philosophy, and stir up ideas.

citizenM rooms
The bigger your bed, the better your dreams.

We're not sure which part of our room is our favourite: the wall-to-wall beds and windows, powerful rain showers, or tablet-controlled ambient settings. Perhaps it's the fact that we only have one type of bed (king-size double), or that we stripped away all unnecessary and unwanted extras to give our citizens everything they truly need. Or maybe it's the superfast free Wi-Fi and streaming. Take a tour and decide for yourself.
Unquote

As is evident from the above, but not explicit, CitizenM's bedrooms are relatively compact in size, although focused (per the above) on satisfying the needs of their target clients. Obviously they have achieved this over a period of time given the successful expansion of the company and its portfolio.

We have previously been shown around some CitizenM hotels in London and we were impressed. But they are different from typical hotels and, for example, bedrooms are a relatively standard module and fairly narrow, as the plans for the subject hotel show, and so there is no space to separate their king size bed into separate twin beds.

CitizenM's website does not provide standard plans or room sizes and it is not possible to scale from the plans for the proposed hotel but Montagu Evans FVA states that "the CitizenM rooms envisaged are circa 13m² on average".

None of this is an intended criticism of the brand – it's successful expansion to cities around the world is testament to its success – but it is targeted on specific travellers, as the above text explains.

Environmental and Social Responsibility
The company is strongly focused on environmental and social responsibility issues and states its ESG vision "to influence positive change in a world where we are simply guests." The company publishes an ESG report annually illustrating its achievements against the targets it has set. The most recent report (at February 2025) is for 2023 although we assume the 2024 report is in preparation.

The ESG section of their website is sub-divided into these sections:

- how we build
- making conscious travel easy
- good neighbours

and is available via this link: https://www.citizenm.com/esg

portfolio & rollout
Quote
Meet the best hotels in the world's best cities.

We started in 2008, with one hotel at Amsterdam's Schiphol Airport. Since then, we made many plans, shook many hands, and made ourselves at home on three continents. Some cities stole our hearts more than once – like Paris, London, Amsterdam and New York – with multiple hotels each. Other cities made us say 'this is where we want to wake up next'. Now, we have an ambitious target of doubling our portfolio by 2030. We want to put affordable luxury wherever our travel-thirsty citizens dream of going next, which is everywhere. citizenM will keep disrupting the hospitality industry with focussed European, North American and Asia-Pacific expansion.
Unquote

The group has three hotels currently under development in Dublin, London (Olympia), and Washington DC (Georgetown).

development specifications
It is worth noting that originally CitizenM developed its hotels using a modular method of constructions where the rooms were factory-built in the Netherlands. They have subsequently moved beyond that although, as is evident from the below, modular construction is still an option for its developments.

Quote
citizenM brings affordable luxury to all mobile citizens around the world by building a global portfolio of hotels in prime metropolitan locations and at major international airports.

Our development specifications are:

- 3,500 - 10,000 sq m (40,000 - 110,000 sq ft);
- with 100 to 350 keys;
- in prime metropolitan locations, central business districts and terminal-linked airport sites (of >35 million passengers per year).

We're open to all kinds of development opportunities. These types of projects and deals are best for our portfolio:

Project types:

- modular or traditional new build
- redevelopment or conversion
- mixed-use projects

Deal types:

- freehold
- long-term ground lease
- turnkey development
- joint-venture investment
- management agreement
- operating lease with equity stake

Unquote

Membership

The company offers a paid membership scheme with some specific benefits for its members as illustrated below. We do not know how the membership income is accounted for by the group nor whether the discounts offered are reflected fully at unit level.

Membership is currently $120, £90 or €100 per year depending on country of residence. According to website Skift.com the membership scheme was introduced in 2022 "as a means to grow its business rather than a revenue stream" and by February 2023 it had 18,000 members. We have not been able to find a more recent figure.

The main benefits / perks of membership are:

- 15% off all stays. The favourite perk of all our members is paying less than everyone else for all citizenM stays – 15% off, and even more during sales!

- free late check-out. Everyone checks out at 11:00 AM... members stay in bed until 2:00 PM for free! They love the extra time and the savings – up to $79 per each stay.

- 15% off food & drink. Flash your app member ID at the bar and get 15% off all food and drinks (cocktails, wine, desserts, pizza… everything except breakfast).

- early access to all sales. All sales are open to members before the general public. This means the best availability of rooms in all cities, and at the biggest discount.

- guaranteed room availability (48 hrs' notice)

- free premium view (if available)

Staffing

The group's staff are known as ambassadors and as illustrated above, they are typically multi-skilled. Attracting the right staff is clearly an important aspect of the CitizenM business and their website states:

Quote
Personalities wanted.

We hire our ambassadors purely based on their personalities. Instead of a traditional interview, we hold a fun casting day. The result: amazing teams in every hotel. Curious, well-travelled and open-minded, they embody the typical mobile citizen. They are also completely multifunctional: they'll help you check in and also shake up the perfect cocktail. We don't believe in segmenting people into concierge, receptionist, or bar staff. We want our ambassadors to be completely free to do what's best for each guest.

- real caring. I show empathy for people and the planet. Being open to other points of view and experiences brings out the best in me. I create positive change.

- genuine touch. I connect with guests, colleagues and partners as friends. My actions are sincere, not scripted.

- passionate attitude. I am collaborative and believe we are stronger working together. I am playful, dedicated and optimistic - I spread good vibes.

- smart thinking. I find simpler, better and bolder ways to do things - I keep my mind curious and my actions brave.

Unquote

Although lengthy, we believe this explanation of CitizenM is important within the context of this development. It is, on their own admission, a very specific – perhaps unique – hotel brand. Without explanation and context we believe it is hard to contemplate the hotel component of the subject development.

5 – The Hotel Market in London

Introduction
The documentation provided in support of the subject planning application contains sparse detail in terms of the hotel element of the development whether in respect of the London hotel market, the competitive market nor, in particular, the very specific hotel that is intended to be created. In particular there is no input from the operator in particular in respect of the brand and competitive positioning, nor the basis on which they would be involved in the hotel ie. lease, management agreement, joint venture etc.

At this stage we have similarly kept our comments fairly brief in terms of the London hotel market and the competitive market and instead predominantly focused on the subject hotel. In the previous section we have illustrated the very specific nature of the CitizenM brand and further comment subsequently in respect of this development.

Below we briefly comment on the London hotel market to provide a broad context which is appropriate to this Initial Report.

Hotel Supply in London
London is the largest and arguably the most dynamic hotel market in Europe. However there is no statutory grading or hotel registration scheme in the UK (except in Northern Ireland) and consequently there are varying views on the number of hotel bedrooms in the city. In part this is because of the fragmented nature of the market and the definitions of what is a hotel. It is now generally agreed that there are significantly more than 150,000 hotel rooms in the city and supply has grown consistently, become more widespread in location terms and more varied in the type of supply.

The hotel sector is changing and consolidating and the ownership and operating structure is also changing with, especially branded, hotels typically being owned by investors and operated by a specialist operator which is sometimes the hotel brand but sometimes a third party specialist operator. Consequently the franchising of hotel brands in order to 'badge' the properties is far more common in the UK that it was even 10 years ago. The variety of types and styles of hotels has also changed and CitizenM is but part of the evidence of that.

Until the onset of the Covid-19 pandemic there was a significant pipeline of new hotel openings. Over 5,000 rooms entered the market in each year from 2017 to 2019, perhaps 6,500 rooms in 2019. It was expected that some 8,000 new rooms would open in 2020 but with the onset of the pandemic and various lockdown periods some projects were delayed although have subsequently opened. Knight Frank estimated that there were 5,000 new hotel rooms in London in 2022. 2023 openings were at a similar level and in PWC's 2024 forecast published in December 2023 they stated that "According to the STR AM:PM hotel database, approximately 11,000 rooms are under construction in the capital, a 7% increase in existing room stock over the next two years, with around 9,500 of these rooms slated to open by the end of 2024." This level of supply pipeline was supported by Savills in their report 'UK Hotels 2024' released in October 2024 which stated "Looking to development hotspots, London remains a major driver of new supply, with c9,300 rooms under construction or in final planning with a proposed delivery date prior to the close of 2026. In growth terms this equates to an average annual rate of 1.8%, in line with the 15 year average."

In terms of the overall supply trend, it is fair to say that development activity is heavily skewed towards branded hotels at all tiers of the market. These tend to be far larger than the smaller independent properties that were once far more commonplace and this trend, exacerbated by the Covid pandemic, has seen an increasing number of Independent hotels exit the market for redevelopment, especially for alternate uses.

Hotel Performance in London

London is among the world's most dynamic and resilient hotel markets. Typically the 'market' Occupancy level exceeds 80% as it did for almost all of the 30 years prior to the Covid pandemic. This is unprecedented in any other major European hotel market. There are fluctuations in Occupancy and/or Average Room Rate caused by economic, geopolitical and security events, as well as by supply changes but the market has always demonstrated resilience and recovered relatively quickly to resume a growth trend.

It is important to note that the Occupancy levels achieved are underpinned but also effectively capped by a variety of factors that are inherent to the market. Overall it is unlikely to rise significantly on average, although individual hotels and market segments do perform more strongly. When considering the overall market, or the performance of any single hotel, it is important to take into account seasonality, both weekly and monthly, geographic origins of demand and motivations for travel. This recognises that different segments of demand (such as business, conference and events, leisure) have different travel patterns. Overall though, certain periods of the year such as December to February tend to show weakest performance, and Sunday nights tend to be the weakest night of the week. Also August tends to be a relatively weak month since room rates are lower as hotels are more dependent on tourists than the higher paying corporate and conference segments. This is of course less true in hotels that predominantly accommodate tourists throughout the year.

As will be well known to readers of this report, in early 2020 the Coronavirus Covid-19 global pandemic commenced, and this has continued to have an impact around the world although the worst effects subsided post-vaccine. This began as primarily a health issue and subsequently affected the social environment in almost every country, and as a consequence tourism and the economy suffered deeply.

2020 and 2021 were hugely disrupted by the pandemic environment and performance was almost unrecognisable from the many decades prior. In 2022 the market demonstrated signs of recovery and this especially manifested in Average Room Rate performance which was well above 2019 levels. This was partly a reflection of some discounted segments of demand being slower to recover as discussed above. Thus Occupancy remained below the long term norm but Average Room Rate grew. 2023 continued to progress towards normalisation and although the trend continued into 2024 the market has been slightly subdued due to economic uncertainties.

In their report cited above Savills opined that "2024 top-line performance growth has aligned with historical norms. The continuation of growth, albeit slower, reiterates that current average daily rates (ADR) and Revenues per available room (RevPAR) are the new norm." In December 2024 PWC published their well-respected annual UK hotel forecast for 2025 which reflected positive but generally subdued market conditions. They commenced their report, "The outlook for demand in the UK hotel market suggests a positive, but low growth scenario in 2025. This is being driven by normalisation of economic conditions, and a return to pre-pandemic levels of leisure tourism after the covid boom." In respect of London they then stated "London revenue per available room (RevPAR) in 2025 is forecast to increase by 3% to £161.10, driven by an occupancy increase of 3.8% to 83.2% representing a return close to pre-covid levels. Average daily rate (ADR) however, is forecast to decline marginally due to low inflation and leisure and corporate traveller price sensitivity in a competitive market."

6 – Consideration of the Proposed Hotel

Introduction
In this section we consider the proposed CitizenM hotel to be created within the development at 135-149 Shaftesbury Avenue. We have sought to take account of the brand and the project plans as presented, and of course we have reflected upon the documents submitted with the application especially the FVA prepared by Montagu Evans.

Within the FVA Montagu Evans have introduced various scenarios in order to contemplate a different development scenario. We have considered these as well, although they are financial scenarios and supported solely by project description and not by any plans.

The Proposed Hotel
We have described the hotel in the available detail within Section 3 of this report. In summary the Proposed Hotel is a 211 bedroom CitizenM hotel. Average bedroom size is 13m^2 and the bedrooms are located on floors 1 to 9. The hotel entrance is located on the Ground Floor from New Compton Street and the hotel lobby including its Food and Beverage facilities are located on the 5th Floor. There is a luggage store at Ground Floor level as well as recycling and delivery facilities and there are also Back of House areas on the 4th Floor.

Montagu Evans Financial Estimates
Montagu Evans have predominantly relied upon a per room valuation of the proposed hotel (and the scenario hotels) within their FVA. We comment on that subsequently to some extent.

In Appendix 2 of the FVA (page 53 of the pdf version) Montagu Evans have presented a very abbreviated hotel Profit and Loss estimate depicting the subject hotel. We summarise this in Table 1 below:

Table 1			
Proposed Hotel Estimated Profit and Loss Account			
Inputs			
Hotel Keys	211		
Days in Year	365		
Occupancy	85%		
ADR	£215		
RevPar	£183		
Room Size (Average)	13m^2		
P&L Summary			
Revenue	Total (£)	£ per Key	Margin
Rooms	14,074,491	66,704	
Other Income	844,469	4,002	6%
Total Revenue	14,918,961	70,706	
Expenses	-7,459,480	-35,353	
NOI	**7,459,480**	**35,353**	**50%**
Source: Montagu Evans from FVA			

There is no commentary, explanation or support provided for this Profit and Loss Account. We note that a 50% NOI for a London hotel would be unusual, perhaps unprecedented. If it relates to a level that CitizenM are achieving or believe they would achieve then we believe that evidence of that should be provided, or at the very least operator support should be provided. Furthermore more detail should be provided including the way that the operator is earning from the development which would vary depending on whether they had a management contract, a lease or were the project owner. Management Fees would also impact the Profit and Loss Account.

We have reviewed various documents submitted in relation to the application and found some relevant comments.

Food and Beverage

The Food and Beverage (Other) revenue provided for within the Profit and Loss seems relatively low. £844,469 would equate to £12.90 per bedroom per night. Given that there is more than one guest per room and that CitizenM is renowned for attracting outside guests to its public areas either with laptops or without, this seems a relatively low level of food and beverage even for a 5th floor space (not as accessible or visible as Ground Floor).

However CitizenM is a very specific brand and it is only really them that can guide to an achievable number given how specific the brand is, as illustrated earlier.

The Operational Plan submitted with the application states:

Quote

3.5 A staffed bar and dining area will provide a wide range of food and beverage. This is on Level 5 of the building and there is no external space for the guests, which ensures the potential noise and impact to nearby residents is significantly reduced.

3.6 The ground floor of the hotel (L5 of the building) will host the restaurant/bar to principally serve hotel guests during their stay,

Unquote

This suggests that few non-residents will be served which is contrary to CitizenM's normal practice.

We also note that in the Economic Statement submitted by Montagu Evans as part of the application it states:

Quote

4.52 CitizenM hotels do not require provision of a bar or restaurant, and as such, both their space and MEP requirements are much lower than a traditional luxury hotel. This model both depressurises the build requirements of the hotel whilst also ensuring that their offer is luxury affordable, enabling younger travellers to stay in a central London location and support other hospitality venues nearby.

Unquote

This seems to contradict the Operational Plan and CitizenM's brand standards although it is true that there is no formal restaurant or bar, it is intended as a multi-functional space.

Staffing

There is also some contradiction in terms of the information provided with regard to staffing. The Operational Plan states:

Quote

5.2 The hotel will employ approximately 20 full time employees covering day and night shifts. In general, it is expected that there will be 4 team members attending the hotel during the day and 2-3 team members attending the hotel during the overnight period.

Unquote

However in the Economic Statement (para 4.3) it expects that the hotel will employ 49 staff in Reception, Management, and Housekeeping. We expect that for a 211 room hotel that this number is closer to the required headcount although again it would need to be clarified by CitizenM. It may be that the difference is in the housekeeping staff who may be provided by a third party agency (we suppose). In that case they should also be covered by the Operational Plan. Clarification will assist the preparation of financial estimates.

Property Taxes
We have noted that in the Economic Statement Montagu Evans have considered the Property Taxes that might be generated by the subject hotel. They state:

Quote
4.47 Nearby hotels also attract significant rateable values, such as the more upmarket Radisson Blu at Seven Dials (£1.5m – equivalent to £10,900 per room) and budget Thistle High Holborn (£995k - £7,700 per room). On this basis, the proposed 210 bed hotel could attract a rateable value of c. £1.6m per annum.
Unquote

Firstly they state only rateable value rather than opining on the property taxes that might be actually payable (although they do estimate this subsequently for the development as a whole).

However in our research we have found entirely different figures for the hotels that they quote on the Valuation Office website, voa.gov.uk.

The Radisson Blu Mercer Street has a rateable value of £921,500 and this has been current since 1.4.23 (but it was £1,402,000 from 24.2.23 – 31.3.23 and £1,495,250 from 1.4.17 to 23.2.23). Taking account of the current multiplier of .546 this would generate property taxes payable of £503,139 which would be divided by the hotel's 137 rooms to equal £3,672 per room. Similarly the Thistle Hotel Bloomsbury (which we believe is the hotel referred to) has a rateable value of £565,000 (although it was £995,000 from 18.11.20 – 31.3.23 and £1,027,500 from 1.4.17 to 17.11.20). Similarly using the multiplier of .546 this would equal taxes payable at £308,490 which, divided by 129 rooms would equal £2,391 per room. We have also considered the Hoxton Holborn as another quality hotel in the locale and one used as a comparator for the transactions considered. This hotel has had a rateable value of £1,560,000 since 1.4.23 (but it was £2,122,000 from 28.10.22 to 31.3.23 and £1,890,000 from 26.8.22 to 27.10.22). Using the multiplier of .546 would equal tax payable of £851,760. The hotel has 220 rooms and thus it would equate to £3,872 per room which is similar to, although slightly above, the Radisson Blu Mercer Street.

These above figures are useful in considering inputs to the hotel profit and loss account.

Financial Estimates for Proposed Hotel
We have taken note of the foregoing in considering the hotel financial estimates that we submit to BPS Chartered Surveyors for consideration within the valuations that they are preparing for their own submission in relation to this planning application. These financial estimates would greatly benefit from input from CitizenM given the very specific nature of the proposed hotel but these are not available. Consequently we have taken account of the submissions from Montagu Evans in both their FVA and their Economic Statement as illustrated above. However we have extensive knowledge and experience of the performance of hotels in the London hotel market (and beyond) and we have used this to consider the potential profitability of the proposed hotel in both the planning application case and the scenarios considered by Montagu Evans. These are appropriate to this Initial Report and may be subject to revision in a later version if we receive further information from CitizenM.

We did seek to gain insight into the current pricing and performance of CitizenM hotels in London by analysing some of the prices on offer at their hotels during this year. We chose

Tuesday and Saturday nights – both typically busy nights of the week – outside Bank Holiday periods in Feb/Mar and then during June and October. As with many hotel groups there were often two prices shown, Flexible which allows for later payment or Non-Refundable for which immediate payment is made upon booking. This Non-Refundable rate wasn't always available. The resultant room rates are shown in Table 2 below.

Table 2							
Direct Booking Rates Available on CitizenM website for Various Dates in 2025							
		Tues	**Sat**	**Tues**	**Sat**	**Tues**	**Sat**
		25-Feb	**01-Mar**	**17-Jun**	**21-Jun**	**14-Oct**	**18-Oct**
Inc VAT							
CitizenM Shoreditch	Flexible	250.80	257.32	269.80	284.05	355.30	227.05
	Non-Refundable	225.72	174.80	n/a	n/a	n/a	n/a
CitizenM Southwark	Flexible	239.00	198.55	269.80	288.80	317.30	236.55
	Non-Refundable	n/a	178.69	n/a	n/a	n/a	n/a
CitizenM Tower Hill	Flexible	284.05	184.30	338.20	334.40	370.50	250.80
	Non-Refundable	255.64	165.87	287.47	284.24	314.92	213.18
CitizenM Victoria	Flexible	296.65	258.40	331.55	379.05	387.60	235.60
	Non-Refundable	n/a	232.56	n/a	n/a	n/a	n/a
Ex VAT							
CitizenM Shoreditch	Flexible	209.00	214.43	224.83	236.71	296.08	189.21
	Non-Refundable	188.10	145.67	n/a	n/a	n/a	n/a
CitizenM Southwark	Flexible	199.17	165.46	224.83	240.67	264.42	197.13
	Non-Refundable	n/a	148.91	n/a	n/a	n/a	n/a
CitizenM Tower Hill	Flexible	236.71	153.58	281.83	278.67	308.75	209.00
	Non-Refundable	213.03	138.23	239.56	236.87	262.43	177.65
CitizenM Victoria	Flexible	247.21	215.33	276.29	315.88	323.00	196.33
	Non-Refundable	n/a	193.80	n/a	n/a	n/a	n/a
Source: Melvin Gold Consulting research collected from CitizenM website 11 Feb 2025							

These are publicly available room rates. As we have shown earlier, CitizenM offers a discount on these rates for its members and guarantees availability to them up to 48 hours in advance of their stay. They also have sale periods from time to time. Like most hotel groups there may also be other discounts available for regular corporate clients, particular events etc. Pricing varies according to demand and also according to location and activity in a particular area. We note, for example, that the CitizenM Victoria is typically more expensive than the other three hotels.

Overall we believe that the Occupancy and Average Room Rate used by Montagu Evans is reasonable for the 211 bedroom hotel in stabilised trading conditions and we have therefore also used their Occupancy of 85% and Average Room Rate of £215 as a basis for our financial estimates.

We have also adopted their Food and Beverage estimates for a stabilised year of operation at £844, 469 since we do not have better information or insight. It does appear that these are below what we might expect at £12.90 per room per night but perhaps the 5th floor location of the Food and Beverage and the indication that the space will predominantly be used for resident guests constrains the revenue to this level.

We have then sought to consider the costs in accordance with the Uniform System of Accounts for the Lodging Industry, a widely used system of hotel accounting. This apportions costs that can be specifically attributed to a department to that department ie. Rooms, Food and Beverage, and the remainder of operational costs are shown by category but are not distributed to departments. These Undistributed Costs are items such as Administrative and General, Sales and Marketing, Property Operation and Maintenance and Utilities. Fixed Costs such as Insurance and Property Taxes are shown separately.

As we have shown earlier CitizenM predominantly use multi-tasking staff in front of house areas. The check-in and check-out processes are largely processed by technology and staff are on hand to help guests but are deployed in the lobby area for both reception and food and beverage tasks. Consequently we have shown all such staff within the Rooms department which has a slightly higher percentage cost (at 30% when stabilised) than might normally be the case. Rooms cleaning staff are also within that department as well as all other Rooms related costs. On the other hand Food and Beverage costs are far lower than normal with only the cost of purchasing the food and beverage supplies and some other costs being within that department. We have estimated the cost at 40% (stabilised) of sales and there are no staff costs envisaged within that department.

We have then envisaged Administrative and General Costs at 8% of total revenue to take account of management and the other costs that might be required. Accounting would also be covered here although we assume it will be undertaken centrally and an element of cost apportioned. Sales and Marketing is estimated at 3.5% of revenue with activity being undertaken locally as well as a central apportionment. Property Operation and Maintenance is envisaged at 2.5% of revenue and Utilities at 4% of revenue although this should be relatively efficient given mainly new build construction, few public areas and CitizenM's strong focus on energy efficiency.

Property Taxes are estimated at £3,800 per room given the prior analysis. This equates to 5.4% of revenue which is a relatively normal level for a London hotel at the present time. Insurance is estimated at 1% of revenue, again a reasonable industry benchmark.

At stabilised levels of performance this indicates Net Operating Profit at £6.7m or 45.1% of revenue, below the conversion rate that Montagu Evans estimated. However we note that our estimates do not include any management fees – base or incentive – nor a provision for renewals and replacements. All of these would be expected if the hotel were operated under a management agreement and there might also be a head office expenses allocation. If under a lease then the lessee would expect to be able to profit from the operation and thus a lease amount would be well below the Net Operating Profit to allow for a profit margin. Thus these estimates are only really applicable if the hotel operator was also the owner of the hotel (and might be reflected in the purchase price or investment value).

In addition, hotels tend to take a period of time to reach optimum trading performance and we have considered that this stabilised level is only reached in the third year of operation. Thus the first two years reflect lower Occupancy and Average Room Rate as trade builds up, less efficient cost ratios in general, additional sales and marketing costs and more efficient Maintenance costs (due to the newness of the building). Property Taxes and Insurance would normally be incurred at their full price and are thus more expensive on a percentage of revenue basis. Thus profitability in the first two years is lower in cash and percentage terms than when stabilisation is reach in Year 3. Our financial estimates in constant (uninflated) 2025 values are reflected in Table 3 overleaf.

As well as a deduction for management fees, if appropriate, per the above, it should also be noted that the significant rise in Employers' National Insurance from April 2025 – the effect of which it is hard to calculate at this stage – and continuing rises in Utility costs are likely to mean that the earnings estimates overleaf are likely to be at the higher end of achievable expectations.

Table 3										
Financial Estimates for the Proposed 211 room CitizenM Hotel at Shaftesbury Avenue, London WC2 in constant 2025 values										
	Year 1	**Ratio**	**Year 2**	**Ratio**	**Year 3**	**Ratio**	**Year 4**	**Ratio**	**Year 5**	**Ratio**
	£	**%**	**£**	**%**	**£**	**%**	**£**	**%**	**£**	**%**
Revenues										
Rooms	11,921,922	94.0%	13,056,160	94.2%	14,074,491	94.3%	14,074,491	94.3%	14,074,491	94.3%
Food & Beverage	760,022	6.0%	802,246	5.8%	844,469	5.7%	844,469	5.7%	844,469	5.7%
Total Revenue	12,681,944	100.0%	13,858,406	100.0%	14,918,960	100.0%	14,918,960	100.0%	14,918,960	100.0%
Departmental costs and expenses										
Rooms	4,053,453	34.0%	4,177,971	32.0%	4,222,347	30.0%	4,222,347	30.0%	4,222,347	30.0%
Food & Beverage	319,209	42.0%	328,921	41.0%	337,788	40.0%	337,788	40.0%	337,788	40.0%
Total Dept. Costs	4,372,663	34.5%	4,506,892	32.5%	4,560,135	30.6%	4,560,135	30.6%	4,560,135	30.6%
Gross Profit	8,309,281	65.5%	9,351,514	67.5%	10,358,825	69.4%	10,358,825	69.4%	10,358,825	69.4%
Undistributed Costs										
Admin. & General	1,141,375	9.0%	1,177,965	8.5%	1,193,517	8.0%	1,193,517	8.0%	1,193,517	8.0%
Sales & Marketing	570,687	4.5%	554,336	4.0%	522,164	3.5%	522,164	3.5%	522,164	3.5%
Property Operation & Maintenance	253,639	2.0%	318,743	2.3%	372,974	2.5%	372,974	2.5%	372,974	2.5%
Utilities	507,278	4.0%	554,336	4.0%	596,758	4.0%	596,758	4.0%	596,758	4.0%
Total Undistributed Costs	2,472,979	19.5%	2,605,380	18.8%	2,685,413	18.0%	2,685,413	18.0%	2,685,413	18.0%
Income Before Fixed Charges	5,836,302	46.0%	6,746,134	48.7%	7,673,412	51.4%	7,673,412	51.4%	7,673,412	51.4%
Fixed Costs										
Property Taxes	801,800	6.3%	801,800	5.8%	801,800	5.4%	801,800	5.4%	801,800	5.4%
Insurance	149,190	1.2%	149,190	1.1%	149,190	1.0%	149,190	1.0%	149,190	1.0%
Total Fixed Costs	950,990	7.5%	950,990	6.9%	950,990	6.4%	950,990	6.4%	950,990	6.4%
Net Operating Profit/EBITDA	4,885,313	38.5%	5,795,144	41.8%	6,722,423	45.1%	6,722,423	45.1%	6,722,423	45.1%
Statistics										
Room Occupancy	80%		83%		85%		85%		85%	
Average Room Rate	193.50		204.25		215.00		215.00		215.00	
RevPar	154.80		169.53		182.75		182.75		182.75	
Rooms Let	61,612		63,922		65,463		65,463		65,463	
Double Occupancy Percentage	1.6		1.6		1.6		1.6		1.6	
Number of Guests	98,579		102,276		104,740		104,740		104,740	
Available Rooms Per Night	211		211		211		211		211	
Available Rooms per Annum	77,015		77,015		77,015		77,015		77,015	
Source: Melvin Gold Consulting estimates										

Financial Estimates for Montagu Evans's Scenarios

Montagu Evans have prepared valuations under various scenarios although they have not prepared financial estimates for any of those scenarios and there are no illustrative plans to support them. Instead they have used a per room valuation – the same per room value for each scenario and the subject application – and we discuss this subsequently. We have been asked by BPS Chartered Surveyors to similarly consider those scenarios and in order to do so we have prepared a similar set of financial estimates for each of the scenarios. These are appropriate to support valuations that will be undertaken by BPS Chartered Surveyors.

These scenario estimates are based upon the above financial estimates for the subject hotel planning application but are adjusted to take account of how we believe the financial outcome may vary for each scenario. The critical change is in the number of bedrooms but we comment under each scenario as to any other factors that we have considered within each scenario.

Scenario 3a
This scenario assumes that the theatre occupies all of the lower floors of the building and that the hotel rooms are built above entirely as new build space. Montagu Evans describe the scenario as follows:

Quote
This case strives to achieve the same level of profit on cost as the revised submission scheme (i.e. 8.7%), by developing the theatre 'as is' (i.e. with no further basement dig), and with hotel keys delivered on top of the existing structure. Value is derived from leasing the theatre box, assuming a capacity of 900 seats, based on an offer letter from a theatre operator. £1.35m annual income with a 5% cap rate to arrive at value of £27m. To get to an even viability position with the scheme submission, the key count would need to be above 302 keys, i.e. 14 storeys above the existing structure.
Unquote

The main advantage of this scheme is the economies of scale from the additional number of bedrooms although the fact that the hotel element is almost entirely new build rather than being within an existing building curtilage may also be an advantage. We have assumed that the Food and Beverage facilities are in similar proportion to the application scenario although of course they would take additional space to be able to accommodate the additional number of residents.

In this scenario we have slightly reduced the Occupancy of the hotel at stabilisation to 82% although we have assumed that the same Average Room Rate is achievable. Typically larger hotels are more exposed to weak trading periods and often they seek to attract groups and tours and other lower priced sources of demand to fill such voids. However the CitizenM product does not lend itself to that and we have assumed that Occupancy will fall slightly. Food and Beverage revenue is held in proportion to the original planning application financials. In general we have assumed that the economies of scale in the larger hotel will allow for some additional cost efficiencies and Rooms and Administrative and General Costs are reflected lower as a proportion.

Overall this scenario allows for Net Operating Profit of £9.6m at a conversion rate of 46.6% of revenue. The financial estimates for Scenario 3a are illustrated in Table 4 overleaf in constant (uninflated) 2025 values.

Table 4										
Financial Estimates for the Scenario 3a 302 room CitizenM Hotel at Shaftesbury Avenue, London WC2 in constant 2025 values										
	Year 1	Ratio	Year 2	Ratio	Year 3	Ratio	Year 4	Ratio	Year 5	Ratio
	£	%	£	%	£	%	£	%	£	%
Revenues										
Rooms	16,637,014	94.0%	18,011,582	94.1%	19,433,549	94.3%	19,433,59	94.3%	19,433,549	94.3%
Food & Beverage	1,062,000	6.0%	1,121,000	5.9%	1,180,000	5.7%	1,180,000	5.7%	1,180,000	5.7%
Total Revenue	17,699,014	100.0%	19,132,582	100.0%	20,613,549	100.0%	20,613,549	100.0%	20,613,549	100.0%
Departmental costs and expenses										
Rooms	5,240,659	31.5%	5,493,533	30.5%	5,538,561	28.5%	5,538,561	28.5%	5,538,561	28.5%
Food & Beverage	446,040	42.0%	459,610	41.0%	472,000	40.0%	472,000	40.0%	472,000	40.0%
Total Dept. Costs	5,686,699	32.1%	5,953,143	31.1%	6,010,561	29.2%	6,010,561	29.2%	6,010,561	29.2%
Gross Profit	12,012,315	67.9%	13,179,439	68.9%	14,602,988	70.8%	14,602,988	70.8%	14,602,988	70.8%
Undistributed Costs										
Admin. & General	1,504,416	8.5%	1,549,739	8.1%	1,587,243	7.7%	1,587,243	7.7%	1,587,243	7.7%
Sales & Marketing	796,456	4.5%	765,303	4.0%	721,474	3.5%	721,474	3.5%	721,474	3.5%
Property Operation & Maintenance	353,980	2.0%	440,049	2.3%	515,339	2.5%	515,339	2.5%	515,339	2.5%
Utilities	707,961	4.0%	765,303	4.0%	824,542	4.0%	824,542	4.0%	824,542	4.0%
Total Undistributed Costs	3,362,813	19.0%	3,520,395	18.4%	3,648,598	17.7%	3,648,598	17.7%	3,648,598	17.7%
Income Before Fixed Charges	8,649,502	48.9%	9,659,044	50.5%	10,954,389	53.1%	10,954,389	53.1%	10,954,389	53.1%
Fixed Costs										
Property Taxes	1,147,600	6.5%	1,147,600	6.0%	1,147,600	5.6%	1,147,600	5.6%	1,147,600	5.6%
Insurance	206,135	1.2%	206,135	1.1%	206,135	1.0%	206,135	1.0%	206,135	1.0%
Total Fixed Costs	1,353,735	7.6%	1,353,735	7.1%	1,353,735	6.6%	1,353,735	6.6%	1,353,735	6.6%
Net Operating Profit/EBITDA	7,295,767	41.2%	8,305,309	43.4%	9,600,654	46.6%	9,600,654	46.6%	9,600,654	46.6%
Statistics										
Room Occupancy	78%		80%		82%		82%		82%	
Average Room Rate	193.50		204.25		215.00		215.00		215.00	
RevPar	150.93		163.40		176.30		176.30		176.30	
Rooms Let	85,979		88,184		90,389		90,389		90,389	
Double Occupancy Percentage	1.6		1.6		1.6		1.6		1.6	
Number of Guests	137,567		141,094		144,622		144,622		144,622	
Available Rooms Per Night	302		302		302		302		302	
Available Rooms per Annum	110,230		110,230		110,230		110,230		110,230	
Source: Melvin Gold Consulting estimates										

Scenario 3b
This scenario is by far the largest of the scenarios and assumes that the hotel would be built above the theatre with a total of 473 bedrooms. Montagu Evans description is as follows:

Quote
This case strives to achieve a target profit on cost of 17.5%, by developing the theatre 'as is' (i.e. with no further basement dig), and with hotel keys delivered on top of the existing structure. Value is derived from leasing the theatre box, assuming a capacity of 900 seats, based on an offer letter from a theatre operator. £1.35m annual income with a 5% cap rate

to arrive at value of £27m. To achieve a target viability position, the key count would need to be at 473 keys, i.e. 19 storeys above the existing structure.
Unquote

Our starting point for considering this scenario is to note that it is well above CitizenM's target size for their hotels which, as described on Page 13, is '100 to 350 keys'. Furthermore we believe that both the Occupancy and Average Room Rate would fall under this scenario, mainly due to additional exposure to low demand periods and the specific nature of the product which mitigates against bulk segments such as groups and tours. Some additional discounting would likely be required in low season periods in particular.

Furthermore it is not clear how the Food and Beverage areas and Front of House area would fit into a property of this size. CitizenM operates efficiently with these areas in proximity and the floor plate of the building may not easily allow for the optimum size. We have therefore assumed smaller Food and Beverage areas than pro-rata the proposed scheme would allow and these revenues are therefore shown as being lower as a proportion of the total revenue.

Rooms and Administrative and General Costs are likely to be more efficient as a result of economies of scale although we have allowed for a higher proportion of sales and marketing costs given the effort required to enable this larger hotel to have the required market reach.

Overall this scenario allows for Net Operating Profit of £13.6m at a conversion rate of 46.9% of revenue. The financial estimates for Scenario 3b are illustrated in Table 5 overleaf in constant (uninflated) 2025 values.

Table 5

Financial Estimates for the Scenario 3b 473 room CitizenM Hotel at Shaftesbury Avenue, London WC2 in constant 2025 values

	Year 1	Ratio	Year 2	Ratio	Year 3	Ratio	Year 4	Ratio	Year 5	Ratio
	£	%	£	%	£	%	£	%	£	%
Revenues										
Rooms	21,753,270	94.9%	24,601,913	95.2%	27,623,200	95.5%	27,623,200	95.5%	27,623,200	95.5%
Food & Beverage	1,170,000	5.1%	1,235,000	4.8%	1,300,000	4.5%	1,300,000	4.5%	1,300,000	4.5%
Total Revenue	22,923,270	100.0%	25,836,913	100.0%	28,923,200	100.0%	28,923,200	100.0%	28,923,200	100.0%
Departmental costs and expenses										
Rooms	6,743,514	31.0%	7,134,555	29.0%	7,458,264	27.0%	7,458,264	27.0%	7,458,264	27.0%
Food & Beverage	491,400	42.0%	506,350	41.0%	520,000	40.0%	520,000	40.0%	520,000	40.0%
Total Dept. Costs	7,234,914	31.6%	7,640,905	29.6%	7,978,264	27.6%	7,978,264	27.6%	7,978,264	27.6%
Gross Profit	15,688,356	68.4%	18,196,008	70.4%	20,944,936	72.4%	20,944,936	72.4%	20,944,936	72.4%
Undistributed Costs										
Admin. & General	2,017,248	8.8%	2,144,464	8.3%	2,256,010	7.8%	2,256,010	7.8%	2,256,010	7.8%
Sales & Marketing	1,146,164	5.0%	1,162,661	4.5%	1,156,928	4.0%	1,156,928	4.0%	1,156,928	4.0%
Property Operation & Maintenance	458,465	2.0%	594,249	2.3%	723,080	2.5%	723,080	2.5%	723,080	2.5%
Utilities	916,931	4.0%	1,033,477	4.0%	1,156,928	4.0%	1,156,928	4.0%	1,156,928	4.0%
Total Undistributed Costs	4,538,807	19.8%	4,934,850	19.1%	5,292,946	18.3%	5,292,946	18.3%	5,292,946	18.3%
Income Before Fixed Charges	11,149,549	48.6%	13,261,158	51.3%	15,651,990	54.1%	15,651,990	54.1%	15,651,990	54.1%
Fixed Costs										
Property Taxes	1,797,400	7.8%	1,797,400	7.0%	1,797,400	6.2%	1,797,400	6.2%	1,797,400	6.2%
Insurance	289,232	1.3%	289,232	1.1%	289,232	1.0%	289,232	1.0%	289,232	1.0%
Total Fixed Costs	2,086,632	9.1%	2,086,632	8.1%	2,086,632	7.2%	2,086,632	7.2%	2,086,632	7.2%
Net Operating Profit/EBITDA	9,062,917	39.5%	11,174,526	43.3%	13,565,358	46.9%	13,565,358	46.9%	13,565,358	46.9%
Statistics										
Room Occupancy	70%		75%		80%		80%		80%	
Average Room Rate	180.00		190.00		200.00		200.00		200.00	
RevPar	126.00		142.50		160.00		160.00		160.00	
Rooms Let	120,852		129,484		138,116		138,116		138,116	
Double Occupancy Percentage	1.6		1.6		1.6		1.6		1.6	
Number of Guests	193,362		207,174		220,986		220,986		220,986	
Available Rooms Per Night	473		473		473		473		473	
Available Rooms per Annum	172,645		172,645		172,645		172,645		172,645	

Source: Melvin Gold Consulting estimates

Scenario 3c

This scenario envisages using the existing building for the theatre with the hotel above to enable the overall development to at least make a minimal level of profit – effectively a break even scenario according to Montagu Evans. They describe the development as follows:

Quote

This case explores developing the theatre 'as is' (i.e. with no further basement dig), and with 226 hotel keys delivered on top of the existing structure. Value is derived from leasing the theatre box, assuming a capacity of 900 seats, based on an offer letter from a theatre operator. £1.35m annual income with a 5% cap rate to arrive at value of £27m. With the key

count at 226 keys and 11 storeys above the existing structure, the project is barely viable at 1.3% profit on cost
Unquote

Although the hotel is a very similar size under this scenario, it is created from a new build construction and there will be wider considerations. However from a hotel profitability scenario it is largely similar to the subject application with only a few additional rooms. We estimate the revenue would be similar and the costs would be slightly more efficient and this it would be more profitable from a hotel perspective even on a per room basis.

Table 6

Financial Estimates for the Scenario 3c 226 room CitizenM Hotel at Shaftesbury Avenue, London WC2 in constant 2025 values

	Year 1	Ratio	Year 2	Ratio	Year 3	Ratio	Year 4	Ratio	Year 5	Ratio
	£	%	£	%	£	%	£	%	£	%
Revenues										
Rooms	12,769,452	93.9%	13,984,323	94.1%	15,075,048	94.3%	15,075,048	94.3%	15,075,048	94.3%
Food & Beverage	823,500	6.1%	869,250	5.9%	915,000	5.7%	915,000	5.7%	915,000	5.7%
Total Revenue	13,592,952	100.0%	14,853,573	100.0%	15,990,048	100.0%	15,990,048	100.0%	15,990,048	100.0%
Departmental costs and expenses										
Rooms	4,328,844	33.9%	4,460,999	31.9%	4,507,439	29.9%	4,507,439	29.9%	4,507,439	29.9%
Food & Beverage	345,870	42.0%	356,393	41.0%	366,000	40.0%	366,000	40.0%	366,000	40.0%
Total Dept. Costs	4,674,714	34.4%	4,817,392	32.4%	4,873,439	30.5%	4,873,439	30.5%	4,873,439	30.5%
Gross Profit	8,918,238	65.6%	10,036,182	67.6%	11,116,608	69.5%	11,116,608	69.5%	11,116,608	69.5%
Undistributed Costs										
Admin. & General	1,209,773	8.9%	1,247,700	8.4%	1,263,214	7.9%	1,263,214	7.9%	1,263,214	7.9%
Sales & Marketing	611,683	4.5%	594,143	4.0%	559,652	3.5%	559,652	3.5%	559,652	3.5%
Property Operation & Maintenance	271,859	2.0%	341,632	2.3%	399,751	2.5%	399,751	2.5%	399,751	2.5%
Utilities	543,718	4.0%	594,143	4.0%	639,602	4.0%	639,602	4.0%	639,602	4.0%
Total Undistributed Costs	2,637,033	19.4%	2,777,618	18.7%	2,862,219	17.9%	2,862,219	17.9%	2,862,219	17.9%
Income Before Fixed Charges	6,281,205	46.2%	7,258,564	48.9%	8,254,390	51.6%	8,254,390	51.6%	8,254,390	51.6%
Fixed Costs										
Property Taxes	858,800	6.3%	858,800	5.8%	858,800	5.4%	858,800	5.4%	858,800	5.4%
Insurance	159,900	1.2%	159,900	1.1%	159,900	1.0%	159,900	1.0%	159,900	1.0%
Total Fixed Costs	1,018,700	7.5%	1,018,700	6.9%	1,018,700	6.4%	1,018,700	6.4%	1,018,700	6.4%
Net Operating Profit/EBITDA	5,262,505	38.7%	6,239,864	42.0%	7,235,689	45.3%	7,235,689	45.3%	7,235,689	45.3%
Statistics										
Room Occupancy	80%		83%		85%		85%		85%	
Average Room Rate	193.50		204.25		215.00		215.00		215.00	
RevPar	154.80		169.53		182.75		182.75		182.75	
Rooms Let	65,992		68,467		70,117		70,117		70,117	
Double Occupancy Percentage	1.6		1.6		1.6		1.6		1.6	
Number of Guests	105,587		109,547		112,186		112,186		112,186	
Available Rooms Per Night	226		226		226		226		226	
Available Rooms per Annum	82,490		82,490		82,490		82,490		82,490	

Source: Melvin Gold Consulting estimates

Overall this scenario allows for Net Operating Profit of £7.2m at a conversion rate of 45.3% of revenue. The financial estimates for Scenario 3c are illustrated in Table 6 above in constant (uninflated) 2025 values.

Summary of the Various Financial Estimates
In Table 7 below we summarise the profitability of the Proposed Scheme and the various scenarios according to the above financial estimates which we have prepared. As well as the overall cash amounts from each profit and loss estimate in the first three years of operation we also show the Net Operating Profit percentage for each version and the Net Operating Profit per room in each version.

This illustrates that although the 473 room version generates the highest profit conversion in percentage terms it actually produces the lowest profit per room. The highest profit per room is from the 226 room scenario although it is only slightly above the 211 room Proposed Scheme and the 302 room scenario.

We believe it is important to note that different hotel scenarios produce different results and in our view it is not appropriate to use the same value per room as a valuation methodology under all these scenarios. Hotels are complex as an asset class and specific modelling is likely to be required to consider the nuances of varying scenarios in comparison to one another.

Table 7
Summary of Profitability of the Proposed Scheme and Various Scenarios – Shaftesbury Avenue Hotel

	Rooms	Year 1 NOP £	Year 2 NOP £	Year 3 NOP £	Year 3 NOP %	Year 3 NOP per room
Proposed Scheme	211	4,885,313	5,795,144	6,722,423	45.1%	31,860
Scenario 3a	302	7,295,767	8,305,309	9,600,654	46.6%	31,790
Scenario 3b	473	9,062,917	11,174,526	13,565,358	46.9%	28,679
Scenario 3c	226	5,262,505	6,239,864	7,235,689	45.3%	32,016

Source: Melvin Gold Consulting estimates

Choice of Valuation Yield
We are not hotel valuers but as experienced hotel consultants we are able to make meaningful comment on valuation inputs in this situation. In particular it is unclear under what form of contract or ownership CitizenM will operate the subject hotel. If it is under a management agreement then management fees will need to be factored into the financial estimates that underpin the valuation. Ownership or Leasehold options also have valuation implications.

In this case Montagu Evans have, on page 53 of their pdf, used a link from Knight Frank to illustrate the valuation yield that they have referenced. The only relevant reference on that document is for Budget Hotels in London that are on a 20 year lease with 5 yearly indexed reviews. These are typically only properties branded as Premier Inn or Travelodge. The yield is shown as 4.75% as at September 2024. Noting that, Montagu Evans have used a 5% yield for their valuation but we are unclear of the basis of the tenure that they are valuing.

In the Savills UK Hotels 2024 publication which we referred to earlier (https://pdf.euro.savills.co.uk/uk/commercial---other/savills-uk-hotel-spotlight-2024.pdf) there is also a chart (Page 13, Fig 8) which illustrates that Fixed Yield (strong covenant) investments (of the type envisaged in the Knight Frank report used by Montagu Evans) were at 4.75% in Q3 2024 whereas Franchise/ Vacant Possession hotel investments attracted a yield of some 5.5%.

Comparable Hotel Values
Also on Page 53 of their pdf Montagu Evans illustrate a variety of comparable hotel transaction which they use as reference points for their valuation. In summary these are:

Table 8						
Summary of Comparable Hotel Values used on Montagu Evans FVA						
Hotel	**Area, Postcode**	**Keys**	**Yield**	**£ / Key**	**Room Size**	**Date**
The Hoxton Hoborn	Holborn WC1V 7BD	220		584,000	12m²	Dec 23
Radisson Blu Mercer Street	Seven Dials WC2H 9HD	137	5.1%	515,000	13m²	Jan 24
The Standard	Kings Cross WC1H 8EG	266	5.75%	695,000	20m²	Oct 24
Clayton Hotel London Wall	Moorgate EC2R 7NJ	89		600,000	23m²	Jun 23
The Hoxton Shoreditch	Shoreditch EC2A 3HU	210		400,000	20m²	Dec 23
Hyatt Place London City East	Whitechapel E1 1DU	280	5.7%	357,000	20m²	Feb 24
Source: Melvin Gold Consulting presentation of Montagu Evans FVA data						

Primarily we note that on a per bedroom basis none of the prices per key exceed the £700,000 per key which Montagu Evans have applied across all of the valuation scenarios that they have prepared. Only The Standard was even close to that level, the Clayton London Wall (purchased from Apex Hotels) was the next highest at £600,000 per room.

Similarly the yields shown are all higher than the 5% which Montagu Evans have used which is supportive of the Savills report cited above which differentiates between budget hotel leaseholds and other forms of tenure.

Although we have shown the Room Sizes cited by Montagu Evans we have disregarded their per square foot values. These are calculated by converting per square metre per room to per square foot per room and then dividing it into the price per key. This is not a generally used hotel industry metric and neither it is correct. The room sizes as stated are not consistent through the subject hotels.

Montagu Evans show The Hoxton Holborn as having a room size of 12m². In fact the hotel (https://thehoxton.com/london/holborn/rooms/) has a variety of room sizes available of which 12m² is the smallest. Room categories and sizes are summarised as follows:

Shoebox	12m²
Snug	14m²
Cosy	16m²
Cosy Up	18m²
Roomy	21m²
Biggy	27m²

Similarly, at The Standard which Montagu Evans show as having a room size of 20m², the smallest room size on their website is the Queen's Standard which is stated as being sized from 16m² to 19m². There is also a Single room with a size of 13m² although all of the other room categories are larger than 20m².

The closest hotel to the Shaftesbury Avenue site is the Radisson Blu Mercer Street in Seven Dials. Their room size is stated as having 13m². The hotel's website states that standard rooms are 13m² but there are three other room categories with room sizes ranging from 16m² to 28m² and the hotel also has corner suites sized at 43m².

Overall room sizes in hotels tend to vary, except in new build hotels built to a specific brand standard, and do not provide a reliable standard without detailed review and we are not aware of them being a generally cited valuation metric.

The hotel transaction market has been relatively subdued and we have only identified a couple of other transactions within London that are worthy of note, albeit not directly comparable.

In November 2023 German real estate company Aroundtown SA sold the four star Hilton Hyde Park in London, UK, for a reported price close to £50m (£368,000 per room), to a family office from Dubai. The 136 room property is located opposite the north western corner of Hyde Park in Bayswater. It is understood the hotel is operated by Hilton under a lease until 2031 and it is thought that the new owners will consider converting the site to residential apartments at the end of the lease.

In January 2024 the American private-equity firm Starwood Capital Group acquired 10 London hotels from Edwardian Hotels. Bloomberg News reported the sum was approximately £800m, attributing the figure to anonymous sources. This is understood to equate to around £450,000 per room.

Importantly, we have been unable to identify any transactions in London where a CitizenM hotel has been sold. That of course would provide the most specific evidence.

Valuation at £700,000 per Room

We have noted that Montagu Evans have used a figure of £700,000 per room for the valuation of the hotel that is the subject of the planning application as well as in each of the three scenarios.

In their commentary on Page 14 of the GVA (and similarly on Page 17) they state:

Quote

£700,000 per key is at the upper end of the evidence for comparable hotel sales provided at Appendix 2.

A profit and loss valuation has also been run which also arrives at broadly £700,000 per key, see Appendix 2.

We consider our assumptions bullish given the CitizenM rooms envisaged are circa 13m^2 on average, which is at the lower end of the comparable range.

Unquote

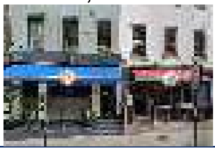
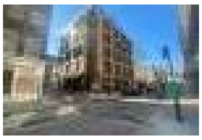
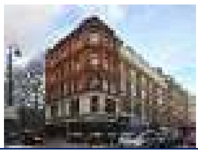
Overall it seems that the £700,000 per room figure is too high. Montagu Evans state that it is bullish. We believe the financial estimates that underpin the figure are overstated and moreover they vary for each of the scenarios presented. A consistent level of value per room does not seem to recognise the underlying change in earnings under each scenario which we have sought to portray. We have also shown that the 5% yield used is likely only applicable to branded budget hotels held on an institutional lease basis by a company with a strong covenant. Both the yields quoted by Montagu Evans for the comparable transactions, and the Savills report that we have cited illustrate higher yields are applicable to other London hotel transactions, probably at least 5.5%.

We draw the attention of BPS Chartered Surveyors to these comments and this evidence base for consideration in the valuations that they are preparing in relation to this application.

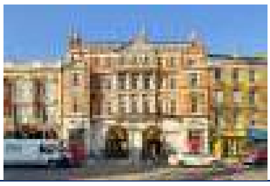
We consider our financial modelling and estimates to be appropriate for use within the valuations that BPS Chartered Surveyors are preparing for the London Borough of Camden, for consideration in relation to the planning application.

Appendix 4: Comparable Evidence

F&B Rental Evidence

Address	Description	Date	Size (sf)	Rent Achieved (psf)
32 Charlotte Street, London, W1T 2NQ 	Signed for a 10 years lease with a 5 year tenant only break clause.	Nov 2023	3,078 (NIA)	£61.72 psf (£189,974pa)
Soho Restaurant, 81 Dean Street, London, W1D 3HA 	Partially fitted, modern, corner unit arranged over ground and basement floors, forming part of a modern mixed-use building comprising 16 upper floor flats. The restaurant has trading areas on the ground floor and basement. Open kitchen on ground floor. Disabled WC. Extraction and plant area to rear. Nil Premium for fixtures and fittings	Aug 2023	5,283 (GIA) 4,400 (NIA)	£85 psf (£375,000pa)
Basement- 2nd Fl, 53 Shaftesbury Avenue, London W1D 6LB 	Let for a 15 years lease, 5-month rent free period with 5-yearly rent reviews. Let to Singapulah Ltd.	May 2023	2,757 (NIA)	£119.69 (£330,000pa)
GF & LGF, 5 Berners Street, London, W1T 3LA 	Let for a 20 years lease with a rent free period of 10 months and 5-yearly rent reviews.	April 2023	3,197 (NIA)	£53.17 (£170,000pa)

Cinema Rental Evidence

Address	Description	Date	Size (sf)	Rent Achieved (psf)
13 Esther Anne Plane, Islington Square, LONDON, N1 1UL 	Space in a newly renovated period scheme let to Odeon for a 25 year lease with 5 yearly rent reviews and a 14-month rent free period. Inferior location to the subject	Feb 2023	24,316 (GIA)	£18.96 (£461,031pa)
Cinema Unit, Royale Leisure Park, Kendal Avenue, London W3 0PA 	Let for a 11 years lease and 4 months with 2 month rent free period to Odeon. Inferior location to the subject	Sep 2022	44,089 (GIA)	£30.96 (£1.364.995)
Cinema Unit, 1 City North Place, London N4 3FU 	Size not stated. Let for a 25 year lease with 5-year rent reviews. Located in a new development, inferior location to the subject.	April 2022	1 unit	£400,000pa
Cinema at Borough Yards, Stoney Street, London SE1 9PA 	Let for a 25-year lease to a boutique Everyman cinema operator. 6-months rent free period. Unit is located in a new development. Inferior location to the subject.	Mar 2022	6,455 (NIA)	£20.05 (£129,100pa)

Appendix 5: BPS Appraisals

APPRAISAL SUMMARY	**BPS SURVEYORS**

Saville Theatre
Scenario 1

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Theatre	1	1,500,000	1,500,000	1,500,000
Restaurant	1	500,000	500,000	500,000
Hotel	1	6,169,545	6,169,545	6,169,545
Totals	**3**		**8,169,545**	**8,169,545**

Investment Valuation

Theatre					
Current Rent	1,500,000	YP @	5.0000%	20.0000	30,000,000
Restaurant					
Current Rent	500,000	YP @	5.0000%	20.0000	10,000,000
Hotel					
Current Rent	6,169,545	YP @	5.5000%	18.1818	112,173,545
Total Investment Valuation					**152,173,545**

GROSS DEVELOPMENT VALUE			**152,173,545**
Purchaser's Costs		(10,347,801)	
Effective Purchaser's Costs Rate	6.80%		
			(10,347,801)
NET DEVELOPMENT VALUE			**141,825,744**
NET REALISATION			**141,825,744**

OUTLAY

ACQUISITION COSTS			
Fixed Price	2,600,000		
Fixed Price		2,600,000	
			2,600,000
Stamp Duty		119,500	
Effective Stamp Duty Rate	4.60%		
Agent Fee	1.00%	26,000	
Legal Fee	0.50%	13,000	
			158,500

CONSTRUCTION COSTS

Construction	**Units**	**Unit Amount**	**Cost**	
Theatre	1 un	30,960,800	30,960,800	
Hotel Keys	211 un	255,616	53,935,000	
Basement Costs	1 un	26,847,200	26,847,200	
Totals			**111,743,000**	
CIL/S106			4,000,000	
				115,743,000

PROFESSIONAL FEES			
Professional Fees	12.50%	13,967,875	
			13,967,875
DISPOSAL FEES			
Sales Agent Fee	1.00%	400,000	
Sales Legal Fee	0.50%	200,000	
			600,000

FINANCE

Debit Rate 7.500%, Credit Rate 0.000% (Nominal)

Saville Theatre
Scenario 1

Land	1,216,644	
Construction	24,670,017	
Total Finance Cost		25,886,661
TOTAL COSTS		**158,956,036**
PROFIT		
		(17,130,291)

Performance Measures

Profit on Cost%	-10.78%
Profit on GDV%	-11.26%
Profit on NDV%	-12.08%
Development Yield% (on Rent)	5.14%
Equivalent Yield% (Nominal)	5.37%
Equivalent Yield% (True)	5.55%
IRR% (without Interest)	2.65%
Rent Cover	-2 yrs -1 mths
Profit Erosion (finance rate 7.500)	N/A

APPRAISAL SUMMARY — BPS SURVEYORS

Saville Theatre
Scenario 2

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Theatre	1	38,546	42.81	1,650,154	1,650,154	1,650,154

Investment Valuation

Theatre					
Current Rent	1,650,154	YP @	5.0000%	20.0000	33,003,085

GROSS DEVELOPMENT VALUE			**33,003,085**
Purchaser's Costs		(2,244,210)	
Effective Purchaser's Costs Rate	6.80%		
			(2,244,210)
NET DEVELOPMENT VALUE			**30,758,875**
NET REALISATION			**30,758,875**

OUTLAY

ACQUISITION COSTS				
Fixed Price		2,600,000		
Fixed Price			2,600,000	
				2,600,000
Stamp Duty			119,500	
Effective Stamp Duty Rate		4.60%		
Agent Fee		1.00%	26,000	
Legal Fee		0.50%	13,000	
				158,500
CONSTRUCTION COSTS				
Construction	**Units**	**Unit Amount**	**Cost**	
Theatre	1 un	38,274,000	38,274,000	
CIL/S106			4,000,000	
				42,274,000
PROFESSIONAL FEES				
Professional Fees		12.50%	4,784,250	
				4,784,250
DISPOSAL FEES				
Sales Agent Fee		1.00%	307,589	
Sales Legal Fee		0.50%	153,794	
				461,383
FINANCE				
Debit Rate 7.500%, Credit Rate 0.000% (Nominal)				
Land			931,976	
Construction			7,303,311	
Total Finance Cost				8,235,286
TOTAL COSTS				**58,513,420**
PROFIT				
				(27,754,544)

Performance Measures

Profit on Cost%	-47.43%
Profit on GDV%	-84.10%
Profit on NDV%	-90.23%
Development Yield% (on Rent)	2.82%

Saville Theatre
Scenario 2

Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%
IRR% (without Interest)	-22.49%
Rent Cover	-16 yrs -10 mths
Profit Erosion (finance rate 7.500)	N/A

Saville Theatre
Scenario 3a

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Theatre	1	38,546	42.81	1,650,154	1,650,154	1,650,154
Hotel	302			29,406	8,880,608	8,880,608
Totals	**303**	**38,546**			**10,530,762**	**10,530,762**

Investment Valuation

Theatre					
Current Rent	1,650,154	YP @	5.0000%	20.0000	33,003,085
Hotel					
Current Rent	8,880,608	YP @	5.5000%	18.1818	161,465,600
Total Investment Valuation					**194,468,685**

GROSS DEVELOPMENT VALUE			**194,468,685**
Purchaser's Costs		(13,223,871)	
Effective Purchaser's Costs Rate	6.80%		
			(13,223,871)
NET DEVELOPMENT VALUE			**181,244,815**
NET REALISATION			**181,244,815**

OUTLAY

ACQUISITION COSTS			
Fixed Price	2,900,000		
Fixed Price		2,900,000	
			2,900,000
Stamp Duty		134,500	
Effective Stamp Duty Rate	4.64%		
Agent Fee	1.00%	29,000	
Legal Fee	0.50%	14,500	
			178,000

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Theatre	1 un	38,274,000	38,274,000	
Hotel Keys	302 un	313,626	94,714,934	
Totals			**132,988,934**	
CIL/S106			4,000,000	
				136,988,934

PROFESSIONAL FEES			
Professional Fees	12.50%	16,623,617	
			16,623,617
DISPOSAL FEES			
Sales Agent Fee	1.00%	330,031	
Sales Legal Fee	0.50%	165,015	
			495,046
FINANCE			
Debit Rate 7.500%, Credit Rate 0.000% (Nominal)			
Land		1,611,768	
Construction		34,335,257	
Total Finance Cost			35,947,024
TOTAL COSTS			**193,132,621**

APPRAISAL SUMMARY BPS SURVEYORS

Saville Theatre
Scenario 3a

PROFIT

(11,887,807)

Performance Measures

Profit on Cost%	-6.16%
Profit on GDV%	-6.11%
Profit on NDV%	-6.56%
Development Yield% (on Rent)	5.45%
Equivalent Yield% (Nominal)	5.42%
Equivalent Yield% (True)	5.60%
IRR% (without Interest)	5.16%
Rent Cover	-1 yrs -2 mths
Profit Erosion (finance rate 7.500)	N/A

Saville Theatre
Scenario 3b:

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Theatre	1	38,546	42.81	1,650,154	1,650,154	1,650,154
Hotel	473			25,765	12,186,704	12,186,704
Totals	**474**	**38,546**			**13,836,858**	**13,836,858**

Investment Valuation

Theatre					
Current Rent	1,650,154	YP @	5.0000%	20.0000	33,003,085
Hotel					
Current Rent	12,186,704	YP @	5.5000%	18.1818	221,576,436
Total Investment Valuation					**254,579,522**

GROSS DEVELOPMENT VALUE			**254,579,522**
Purchaser's Costs		(17,311,407)	
Effective Purchaser's Costs Rate	6.80%		
			(17,311,407)
NET DEVELOPMENT VALUE			**237,268,114**
NET REALISATION			**237,268,114**

OUTLAY

ACQUISITION COSTS			
Fixed Price	2,600,000		
Fixed Price		2,600,000	
			2,600,000
Stamp Duty		119,500	
Effective Stamp Duty Rate	4.60%		
Agent Fee	1.00%	26,000	
Legal Fee	0.50%	13,000	
			158,500

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Theatre	1 un	38,274,000	38,274,000	
Hotel Keys	473 un	321,353	151,999,934	
Totals			**190,273,934**	
CIL/S106			4,000,000	
				194,273,934

PROFESSIONAL FEES			
Professional Fees	12.50%	23,784,242	
			23,784,242
DISPOSAL FEES			
Sales Agent Fee	1.00%	330,031	
Sales Legal Fee	0.50%	165,015	
			495,046

FINANCE
Debit Rate 7.500%, Credit Rate 0.000% (Nominal)

Land	1,444,464	
Construction	48,271,256	
Total Finance Cost		49,715,720

TOTAL COSTS	**271,027,442**

Saville Theatre
Scenario 3b:

PROFIT

(33,759,328)

Performance Measures

Profit on Cost%	-12.46%
Profit on GDV%	-13.26%
Profit on NDV%	-14.23%
Development Yield% (on Rent)	5.11%
Equivalent Yield% (Nominal)	5.44%
Equivalent Yield% (True)	5.62%
IRR% (without Interest)	2.55%
Rent Cover	-2 yrs -5 mths
Profit Erosion (finance rate 7.500)	N/A